



Retail development strategy for Rainier Valley

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Overview



Orcas Street and Rainier Avenue in Hillman City, c. 1910

Rainier Valley is one of Seattle's most culturally rich communities, offering a very wide array of authentic international shopping and entertainment experiences. It is also an important source of jobs and an incubator of new businesses for the metropolitan area, particularly for new and recent immigrants. In these ways, Rainier Valley's primary economic roles have remained remarkably consistent over the years. Its first residents included significant numbers of Irish, Scottish, and Italian immigrants, and its earliest businesses included many industries - lumber mills, food manufactures, even fireworks. These two characteristics - immigrants and industries - have shaped Rainier Valley's economy for more than a century.

Transportation has also significantly influenced Rainier Valley's development. Rainier Valley's streetcar line was put in place in 1890, opening up the area to new development and giving economic power to development of streetcar communities stretching along Rainier Avenue from Mt. Baker to Rainier Beach. The streetcar line was removed in 1960, and development shifted to Empire Way (renamed Martin Luther King, Jr. Way in 1981), several blocks west. In the summer of 2009 Sound Transit opened a new light rail line running along MLK Jr. Way, with stations at Mt. Baker, Othello, and Rainier Beach.

The recent light rail expansion into Rainier Valley brings many new options for economic growth to the community - but it also brings many new challenges, particularly for Rainier Valley's small and independently owned businesses, from changing demographics and escalating rents to new zoning regulations and construction-period disruptions. New housing along the light rail line is attracting new residents,

Given the potential continuing impact of the light rail expansion in Rainier Valley on Rainier Valley's independent businesses, the City's Office of Economic Development engaged the Community Land Use and Economics Group to identify strategies to help strengthen and market Rainier Valley's retail districts, with particular attention to the commercial nodes around the Othello and Rainier Beach stations.

We found evidence of significant recent changes in Rainier Valley's commercial economy. For example, some of the business owners we interviewed reported that their rents have increased as much as 50 percent in the last several years. And some businesses reported spending as

much as 20-30 percent of their gross sales on rent - an unsustainable level¹. This suggests several potential vulnerabilities, including that businesses are under-capitalized and that property owners may be over-anticipating the market's growth.

While Rainier Valley's independent businesses and the nodes in which they are clustered have many needs, we found that three primary threats to independent businesses along the Martin Luther King, Jr. Way:

- **A likely over-supply of new retail space along the light rail corridor:** The amount of new commercial space that will be allowed in new freestanding and mixed-use development is not likely to be economically supportable in the near future, particularly if most or all of the new commercial space allowed is used for retail purposes. An over-supply of new retail space increases the chances that sales could be deflected from the corridor's existing businesses.
- **Lack of control over property ownership and commercial rents:** A relatively small percentage of Rainier Valley's retail businesses own the spaces in which they operate. Independently owned businesses that lack control over the space in which they operate are at risk of displacement.
- **Lack of a comprehensive and aggressive marketing program for the corridor and its commercial nodes:** Rainier Valley offers one of the region's most culturally rich shopping and dining experiences, but many regional residents are unaware of Rainier Valley's offerings, have a negative perception of Rainier Valley, or are wary of language and cultural barriers.

The following report outlines strategies in four areas:

1. Strengthening Rainier Valley's existing retail businesses
2. Marketing Rainier Valley and its commercial nodes
3. Improving the physical environment to encourage retail activity
4. Developing organizational infrastructure for retail development

¹ As a general rule of thumb, most retail businesses spend between 6-12 percent of their gross sales on rent.

A few things to keep in mind when reading this report:

First, our research focused primarily on *retail activity* and *retail development* in Rainier Valley. While our assignment necessarily involved looking at several other aspects of the community's economy (for instance, we looked at projected housing growth in order to predict retail demand from future Rainier Valley residents), it did not involve an in-depth examination of the overall economy of Rainier Valley - just its retail component. In other words, it is *not* an overall economic development study.

Second, successful revitalization of an older commercial district whose physical form and business mix have evolved organically, over time, requires hundreds of small steps that, together, help bring about long-term economic transformation. There is no one single, catalytic activity, or handful of activities, that can make such a transformation happen. The keys are to identify two or three major market-based strategies, then to identify the many specific tasks that need to happen to implement each strategy.

Finally, we hope our research, recommendations, and report will be a starting point for collaboration between a very broad range of public- and private-sector organizations, agencies, and constituencies with stakeholder interests in Rainier Valley. No one entity alone can, or should, undertake all the many tasks that need to take place. But, by identifying which entities are best suited for which tasks, then dividing up the tasks accordingly, not only can Rainier Valley's retail economy be transformed, but a broader web of community partnerships can also be developed and strengthened.

Methodology

In order to understand the current condition and retail growth potential of Rainier Valley's retail sector, we focused on several specific types of information:

1. Information that would help us understand the retail "buying power" of the people who live in, work in, and visit Rainier Valley (meaning the amount of money that these people are likely to spend on retail goods and services over the course of a year)
2. Information that would help us understand how Rainier Valley's current businesses are performing, particularly information that would help us estimate the gross sales they are capturing
3. Information that would help us understand how the demographic and psychographic characteristics of Rainier Valley's residents, workers, and frequent visitors affect their buying decisions
4. Information about the number and types of people who might use the new light rail line and about their potential retail buying power
5. Information about Rainier Valley residents' retail preferences and desires
6. Information on how Rainier Valley's commercial nodes are currently being marketed to residents and visitors

For this assignment, our research included these basic components:

- **Site visit:** We conducted a two-day site visit at the beginning of the assignment, during which we toured Rainier Valley, visited a representative sample of businesses, and participated in meetings with representatives of the Columbia City Business Association, HomeSight, MLK Business Association, Othello Partners, the Rainier Valley Chamber of Commerce, the Rainier Valley Community Development Fund, SouthEast Effective Development (SEED), and other community groups, and with representatives of several City offices.

- **Interviews:** We conducted informational interviews with a representative sample of Rainier Valley business and property owners, realtors, and residents.
- **Commercial rents:** We spoke with realtors and property managers and examined listings in CoStar, Trulia, and local classified ads to determine ranges of current commercial rents.
- **Demographics:** We examined information from the *Census of Population* and from the City on the demographic characteristics of Rainier Valley households in order to understand how demographics influence the shopping habits and buying preferences of Rainier Valley residents.
- **Business inventory:** We assembled an inventory of retail and service businesses in Rainier Valley, beginning with lists from the City's Business and Occupation tax records, then augmented with information from Polk City Directories, Google, a photographic inventory we conducted during our initial site visit, and other sources.
- **Clusters and niches:** We identified retail clusters and niches throughout Rainier Valley, with particular emphasis on the MLK Jr. Way corridor. Clusters are groups of businesses that offer similar types of goods and services, or that cater to similar types of customers, and that are located in relatively close proximity to one another. Niches are collections of specialized products, services, or businesses; they can be part of a physical cluster or can be geographically dispersed.
- **Retail sales:** Using categorical data from the City's Business and Occupation tax records, the *Census of Retail Trade*, the *Census of Food Services and Accommodation*, ESRI, *The Dollars and Cents of Shopping Centers*, and our own proprietary database of information on retail sales levels in independently owned businesses throughout the US, we estimated the volume of retail sales being captured by Rainier Valley businesses. Our estimates took into consideration factors such as the likely higher percentage of cash transactions and bartering in certain business categories.
- **Retail buying power:** Using data from the *Census of Population*, the US Census Bureau's American Community Survey, and the US Bureau of Labor Statistics' *Consumer Expenditure Survey*, we estimated the retail buying power of five distinct market segments: current Rainier Valley residents, likely future residents, current customers of the corridor's

commercial nodes, people commuting through the corridor, and, for certain goods and services, residents of the greater Seattle area (see Appendix 1 for data).

- **Sales voids:** We compared estimates of retail demand and retail supply within Rainier Valley to identify potential sales voids that might potentially be filled by adding new product lines to existing businesses, by repositioning existing businesses, or by adding new businesses.
- **Neighborhood workshops:** Our research was roughly concurrent with a series of neighborhood planning meetings organized by the Department of Planning and Development, and the notes from these meetings provided us with valuable insight into neighborhood residents', business owners', and property owners' thoughts and opinions about Rainier Valley's commercial future.
- **Marketing activities:** We collected collateral materials and other information for major marketing activities currently taking place in Rainier Valley, plotted existing events on a timeline, and identified potential opportunities to improve scheduling, audience targeting, and event structure.

Ultimately, we focused our research on five distinct market segments and their specific needs and/or potential interests:

- **Current Rainier Valley residents:** Current residents need a broader range of goods and services - both convenience goods and services (like groceries and personal services) and comparison goods and services (things for which shoppers like to visit several stores and compare prices, styles, and other product features, such as clothing and home furnishings). They also need a broader range of entertainment and leisure options - movies, theatre, music, festivals, and other activities that help build a stronger connection to the community. And, as new development takes place in Rainier Valley, they need to feel safe from displacement.
- **Current customers of Rainier Valley's commercial nodes (and particularly its international businesses):** Rainier Valley's enclaves of international businesses draw tens of thousands of shoppers from throughout the Seattle metropolitan area and are important economic anchors and drivers for Rainier Valley. This market segment needs continued access to the goods and services Rainier Valley currently offers. It will be critical that this market segment not be displaced by either logistical challenges (such as not being able to conveniently park

near stores when making large purchases) or by perceptions that the commercial centers of which they have been loyal customers are changing so dramatically that they no longer feel welcome.

- **Likely future residents of new housing being developed along the Rainier Valley light rail corridor:** Approximately 1,000 new housing units have recently been developed or are in the development pipeline along the Martin Luther King Jr. Way corridor. The residents of these new housing units will need to discover Rainier Valley's neighborhoods and commercial nodes and to gradually become "insiders". Their initial orientation is likely to be primarily towards the commercial offerings along the light rail corridor.
- **People commuting through Rainier Valley along the light rail corridor:** Like new residents of housing units along the light rail corridor, the people who commute through Rainier Valley by light rail² will be most familiar with the commercial nodes along Martin Luther King Jr. Way. Many of them may be completely unfamiliar of what Rainier Valley's commercial centers offer - and, given the speed at which they will be traveling through Rainier, it may require "loud" and persistent messages to attract their attention, to establish a positive image of Rainier Valley in their minds, and to entice them to debark for shopping or dining.
- **Residents of the greater Seattle metropolitan area:** Like light rail commuters, most residents of the greater Seattle metropolitan area may be largely unfamiliar with Rainier Valley and its wealth of international experiences and cultural assets. In some cases, their perceptions of Rainier Valley might be negative. But the potential payoff for successfully establishing a positive market position for Rainier Valley in the minds of this large market segment is enormous. For example, attracting only one-half of one percent of the amount of money that Seattle metropolitan area residents currently spend in restaurants would increase Rainier Valley's overall restaurant sales by more than \$21 million³.

² Approximately 29,900 unique visitors annually, according to Sound Transit's Stage 1 projections, published in *Sound Transit Phase 2 Transit Ridership Forecasting Final Technical Report*.

³ Residents of the Seattle-Tacoma-Bellevue Metropolitan Statistical Area currently spend approximately \$4 billion on food and \$281.4 million on alcoholic beverages in restaurant. One-half of one percent of this amount is \$21.4 million.

Key findings and observations

1. **Rainier Valley's retail market is a complex amalgam of retail voids and surpluses.** At first glance, it might look like there is ample unfulfilled retail demand in Rainier Valley to support the development of scores of new businesses. But the numbers are deceptive.

In *total*, Rainier Valley's retail sales voids (the gap between the amount of money that Rainier Valley's residents spend over the course of a year and the estimated amount of sales being captured by Rainier Valley's businesses) initially appear to be significant enough to support a sizeable number of new businesses. But these leakages are generated by households with widely varying demographic characteristics and widely varying retail preferences. As a result, there are very few demographic categories in which there is sufficient demand to support a significant *cluster* of new businesses.

"Clusters" - groups of businesses that offer similar products or services, or that cater to demographically similar types of customers within a relatively compact geographic area - are essential ingredients of economically vibrant commercial districts. Most regional shopping malls, for instance, offer large clusters of apparel and apparel-related goods and services (like shoes and jewelry) targeted towards shoppers with similar demographic characteristics. The presence of several (or many) stores offering similar products makes it possible for shoppers to easily visit several stores and to compare styles, prices, and other product characteristics before deciding which product to buy. For that reason, shopping centers or commercial districts with clusters of related products, or that appeal to shoppers with similar demographic characteristics and retail preferences, are usually able to generate more foot traffic for their tenant businesses than businesses that are isolated from others can generate for themselves. But, in order for a business cluster to be successful, there must be enough unmet retail market demand to support all of the businesses in the cluster. That's the potential roadblock to developing significant numbers of new businesses in Rainier Valley, because there is not enough unmet demand in any major demographic segment in Rainier Valley to support enough new businesses to comprise a strong cluster.

For example, we found that there is a retail sales "void" of approximately \$18 million in the furniture/home furnishings category. Realistically, a commercial district in a major metropolitan area might expect to capture no more than 20 percent of any unmet market

demand (or "void"), since residents of the neighborhoods near the commercial district are able to easily shop online, by catalog, or in other commercial districts throughout the metropolitan region. This means that Rainier Valley might realistically be able to capture 20 percent of the \$18 million retail sales void in the furniture/home furnishings category, or \$3.6 million. At rent levels on the low- to mid-point of current Rainier Valley commercial rents, a furniture/home furnishings business would need to gross a minimum of approximately \$625,000 annually⁴. So, at first glance, it might appear that Rainier Valley could support as many as five or six new furniture/home furnishings stores. But, because of the demographic and economic diversity of Rainier Valley's residents, it would be difficult to create a cluster of five or six stores that would appeal to all of the community's residents.

NAICS	Category	Demand	Supply	Void
441	Motor vehicle + parts dealers	\$ 107,137,000	\$ 32,535,000	\$ 74,602,000
442	Furniture + home furnishings stores	17,767,000	4,788,000	12,979,000
4431	Electronics + appliance stores	16,739,000	924,000	15,815,000
444	Bldg materials, garden equip. stores	15,064,000	17,595,000	(2,531,000)
445	Food + beverage stores	83,361,000	156,079,000	(72,718,000)
4461	Health + personal care stores	15,446,000	13,502,000	1,945,000
4471	Gasoline stations	50,613,000	27,681,000	22,933,000
4478	Clothing + clothing accessory stores	25,695,000	16,624,000	9,070,000
451	Sporting goods, hobby, book, music stores	5,307,000	3,303,000	2,004,000
452	General merchandise stores	74,165,000	7,461,000	66,703,000
453	Misc. store retailers	9,300,000	3,102,000	6,198,000
454	Nonstore retailers	17,773,000	2,164,000	15,609,000
722	Food services + drinking places	70,433,000	45,556,000	24,877,000

Table 1: Estimates of demand and supply, with sales void calculations, for Rainier Valley. More detailed information is available in Appendix A. (Sources: US Census Bureau, *Consumer Expenditure Survey* of the US Bureau of Labor Statistics; ESRI Retail MarketPlace Profile; CLUE Group, LLC)

⁴ We have based this estimate on the assumptions that the minimum size practical for a furniture/home furnishings store is 2,500 square feet, that average low- to mid-point commercial rents in Rainier Valley are currently about \$15/square foot, and that the store would budget six percent of its gross sales for rent:

$$(2,500 \text{ SF} \times \$15/\text{SF}) \div 6\% = \$625,000 \text{ gross sales target}$$

This does not mean, of course, that Rainier Valley cannot support new stores. But it does mean that, in many instances, it is likely to be more practical for Rainier Valley to absorb some of the community's retail sales voids by adding new product lines (or replacing existing product lines) to existing businesses than to develop new businesses. It also suggests that, when possible, some of the community's businesses should try to appeal to more than one demographic segment. And, in some instances, it is likely to be more practical to create new businesses that function as regional destinations rather than as part of a cluster of "comparison" goods and services (products and services for which shoppers tend to visit several stores and to compare prices, styles, and other characteristics before deciding what to buy).

Among our most significant findings with regard to retail voids and surpluses:

- In general, Rainier Valley's business mix is heavy on services and (other than groceries) weak on retail.
- Rainier Valley attracts shoppers from a large geographic area to its ethnic grocery stores but offers relatively little in the way of traditional groceries.
- There is significant leakage in most retail product categories among Rainier Valley's more affluent households.
- There is some leakage in groceries and pharmaceuticals among Rainier Valley households of all income levels.
- There is significant leakage in food service and entertainment among Rainier Valley households of all income levels. A substantial percentage of this leakage could likely be absorbed by current Rainier Valley restaurants.
- Most "comparison" purchases (e.g., apparel and home furnishings) are generally made outside Rainier Valley (e.g., at South Center Mall), and plans for a Target at the Goodwill site were recently shelved.
- Rainier Valley's automotive-related businesses generate a retail sales surplus. This surplus will diminish as these businesses gradually disappear over the next 5-10 years.

- As new residents move into new housing along the light rail corridor, it is possible that there might be sufficient demand to develop a cluster of comparison businesses (particularly furniture, home furnishings, and appliances) or a moderately sized discount department store.
- 2. **The amount of new commercial space currently planned for inclusion in new, mixed-use along the Rainier Valley light rail corridor is not economically supportable - at least not if leased primarily to retail businesses.** We estimate that the anticipated residents of the roughly 1,000 new housing units planned for development along the Martin Luther King, Jr. Way corridor will generate \$17-20 million in new retail demand. We think it is likely that Rainier Valley's existing businesses could absorb approximately 20 percent of this new demand. The remaining new retail demand could support approximately 60,000 square feet of new retail space - slightly less than the 75,000 square feet currently being planned (some of which is tentative). But it is unlikely that new residents will make more than 25-30 percent of their retail purchases along the corridor or elsewhere in Rainier Valley. This pattern is not unique to Rainier Valley; most people in metropolitan areas spend money near their work places, from online stores, while vacationing, and in many other places.
- 3. **Customers of Rainier Valley's nodes of ethnic businesses bring considerable buying power to Rainier Valley - and it is important to protect this market from erosion.** It is likely that the increased traffic and visibility light rail will provide will make it possible for these nodes to increase their sales, both by selling more to current customers and also by reaching new customers. We believe that, with a solid marketing program, it will be possible to boost retail sales levels at the Othello node by approximately 3-5 percent per year for each of the next five years, with slightly more modest increases at the Columbia City and Rainier Beach nodes. But the first priority in all three nodes should be to mitigate sales erosion from current customer segments.
- 4. **Rainier Valley plays an important role as an independent business incubator.** This is particularly true for businesses launched by recent immigrants, some of which eventually move to the International District, northern Seattle, and other communities within the region. Rainier Valley has a relatively high rate of business "churn" - meaning that, while many small businesses in Rainier Valley fail, there are also many small businesses created in Rainier Valley. There are many reasons that small businesses fail, and many of these are evident in Rainier Valley - undercapitalization, marketing skills, and lack of succession

planning, for example - but the rate of small business failures in Rainier Valley is more than offset by the rate at which Rainier Valley creates new independently owned businesses.

5. **Retail markets and zoning designations do not necessarily overlap.** For example, while much of the commercial district surrounding the Othello station has been zoned NC2 to encouraging development of small-scale and locally serving businesses, this node's retail economy is currently driven as much by non-Rainier Valley residents - most of whom arrive by car - as it is by Rainier Valley residents.
6. **One of the most significant problems facing Rainier Valley's independent businesses is lack of control over commercial rents.** Only a small handful of Rainier Valley's independent businesses own the buildings in which they operate, making them vulnerable to escalating rents. In surveys of Rainier Valley businesses conducted by the MLK Business Association and HomeSight in order to gather input for the neighborhood plan update process, an alarming number of businesses said that their rents had increased more than 50 percent over the last three years. Some reported spending as much as 20-30 percent of their gross revenues on rent - an unsustainable level.
7. **Rainier Valley's commercial nodes suffer from a dearth of marketing activities.** Ideally, each major commercial node should offer 2-4 major special events and 2-4 retail events annually, plus an ongoing program of marketing activities to increase overall visibility and improve public perceptions. The timing of events in each of the major commercial nodes should be coordinated with those in the other major nodes in order to avoid calendar conflicts and to ensure that activities are taking place throughout the year.
8. **Rainier Valley needs to be marketed as a collection of places, rather than as a single "place".** Although Rainier Valley is widely identified as a region of the city, the broad diversity of neighborhoods and commercial districts within Rainier Valley mean that it cannot be easily understood or marketed as a single "place".
9. **Language and cultural barriers appear to be limiting market growth for many of Rainier Valley's ethnic businesses.** The rich cultural diversity of Rainier Valley's business community is one of the community's greatest - and largely untapped - assets. But many of Rainier Valley's ethnic businesses currently market themselves almost exclusively within their own ethnic communities - a strategy that worked reasonably well in the past, but that will likely not sustain them in the future.

10. **Rainier Valley's independently owned businesses need basic assistance with business planning.** Several public- and private-sector entities provide business planning assistance to Rainier Valley's independently owned businesses, but the need for services outstrips the services available. It appears that many of the community's independently owned businesses need help with marketing/promotion, visual merchandising, inventory management (inventory timing and turnover, in particular), and accounting, as well as help with strategic planning for business growth.
11. **The public- and private-sector entities working to support marketing and business development activities in Rainier Valley offer key tools and resources, but the infrastructure is not sufficient for a comprehensive marketing and business development effort.** Several Rainier Valley community development organizations have full- and part-time staff (HomeSight, the Rainier Valley Community Development Fund, SEED, and the Rainier Valley Chamber of Commerce, for example), but only a handful of these staff members are devoted exclusively to marketing Rainier Valley, providing technical assistance to Rainier Valley's small businesses, or developing/recruiting new businesses. Shopping malls typically have a dozen or more staff members whose full-time jobs involve marketing the mall, recruiting businesses, helping retailers, maintaining public spaces, and providing security. Similarly, commercial districts need dedicated staff to handle these critical functions. Increasing retail sales, helping businesses become stronger, marketing Rainier Valley's retail centers, and improving their appearance and safety will require more substantial organizational infrastructure than currently exists.
12. **The State's Constitutional limitation (Article VIII, Section 7) on city and state participation in private-sector economic development projects funds precludes use of many tools used to stimulate and support small business development in other cities.** Many of the programs created by other cities to help stabilize and cultivate independent businesses are not available to Seattle because of state limitations on the use of public funds to help private enterprise. In particular, tax increment finance, a widely used tool that helps municipalities use new property tax revenue generated by revitalization activity in targeted areas to fund key components of the revitalization initiative, is not available in Washington. This makes it likely that the private sector will need to provide some of the financing and financial assistance needed, augmented by federal funds such as Community Development Block Grants.

13. **The gradual disappearance of auto-related businesses in Rainier Valley represents both opportunities and losses.** As Rainier Valley's auto-related businesses gradually disappear, more land will be available for new commercial uses - but Rainier Valley will also lose some entry-level and skilled jobs and some potentially valuable skill sets. It will be important to replace the auto-related jobs with new jobs requiring similar skill levels. It will also be important to carefully plan for the reuse of auto-related sites as they become available so that new retail development is concentrated near existing retail hubs, to the extent possible.
14. **The experience of arriving at Rainier Valley's commercial nodes via light rail is visually weak.** Each commercial node should be physically and visually differentiated from the stretches of Martin Luther King Jr. Way between the hubs, helping strengthen and reinforce each node's unique identity.
15. **Crime, and the perception of crime, are significant deterrents to attracting shoppers from both within and also from outside Rainier Valley.** Issues related to crime and safety emerged in most of the interviews we conducted. Even in sections of Rainier Valley that have not experience significant levels of crime, the perception of crime appears to affect residents' and other shoppers' attitudes about Rainier Valley's commercial centers.
16. **Property owners' expectations of commercial rents may be unrealistically high.** Ultimately, commercial rents must reflect the retail sales performance of a district's retail businesses. As a general rule of thumb, retail businesses should spend between 6-12 percent of their gross annual sales for rent. During our research, we learned that some Rainier Valley businesses are paying rents equal to 20-30 percent of their gross annual sales, a percentage that could put businesses at risk of failure. One of the goals of commercial district revitalization, and of this assignment, is to help businesses strengthen their performance and increase sales - and, as sales increase, businesses should gradually be able to afford incrementally higher rents, providing income for property owners that can then be used to maintain and improve property and make the district more attractive to shoppers and visitors. But, until Rainier Valley's retail sales begin to grow, it will be important to monitor rent levels and work with property owners to find ways to keep rents within a safe range for the community's independent businesses.
17. **Demand for office space in Rainier Valley is likely to be flat for at least several years.** Office rental rates in downtown Seattle have softened in the economic downturn, drawing some

office-based businesses away from Rainier Valley and other parts of the city and region and flattening the near/mid-term market in Rainier Valley. This pattern is not unique to Seattle. For example, in their annual report *Emerging Trends in Real Estate*, the Urban Land Institute and PricewaterhouseCoopers LLP predict that commercial real estate values in 2010 will be 40 to 50 percent less than in 2007, with Class B and Class C properties taking the greatest hits as Class A space becomes more affordable and tenants migrate to better space at a lower price.

18. **Rainier Valley residents, businesses, and community organizations wish to preserve the community's international flavor and to support growth and development of independently owned businesses.** The desire to support and strengthen Rainier Valley's independently owned businesses and the community's international flavor came through clearly in almost all our interviews, and these were also major themes in the neighborhood planning meetings that took place earlier this year.
19. **Some skepticism and animosity exists between some of Rainier Valley's stakeholders.** During the course of our research, we sensed some skepticism that Rainier Valley's commercial environment can be significantly improved. We also sensed some animosity between some of Rainier Valley's stakeholders due to past, and sometimes ongoing, conflicts about issues ranging from development decisions to law enforcement. Skepticism and conflict such as this are normal parts of community development and commercial district revitalization processes. What is important, though, is that skepticism and animosity not hold back positive change. In our meetings and interviews, we consistently heard similar goals for Rainier Valley from every major stakeholder group, including city government, business owners, residents, neighborhood organizations, realtors, developers, investors. Without exception, every entity wants to preserve Rainier Valley's international diversity, protect and grow its independently owned businesses, reduce crime, increase value, and create positive perceptions of the community throughout the Seattle area and beyond. In order to successfully move forward, it will be critical that everyone recognize these shared goals, put aside skepticism and animosity, and consciously decide to work collaboratively in the future.

Recommendations

STRENGTHEN RAINIER VALLEY'S EXISTING RETAIL BUSINESSES

1. **Concentrate high-volume and neighborhood-serving retail development around light rail stations and limit retail development between stations.** Because there is not likely to be sufficient new retail demand along MLK, Jr. Way over the next decade to support ground-floor retail use in most of the new mixed-use buildings that have been built or that are planned near the light rail line, it will be important to concentrate retail uses primarily around the intersection closest to each light rail station. Programming too much new ground-floor commercial space for retail use would likely deflect sales from existing retail businesses throughout Rainier Valley, putting them at risk. We therefore recommend that the City concentrate ground-floor retail uses around Rainier Valley's light rail stations by encouraging developers to give preference to retail-only uses in new mixed-use development within one block of each light rail station and to actively market the ground-floor space outside this one-block radius for office, studio, and other non-retail commercial uses.
2. **Encourage and help existing businesses to fill in gaps in neighborhood markets.** It is apparent from both the sales gap analysis and our interviews that many Rainier Valley residents are leaving Rainier Valley for much of their shopping. As we explained in the previous chapter, the economic and cultural diversity of Rainier Valley's residents would likely make it difficult to develop a cluster of new businesses targeted to any one single market segment or featuring any one concentration of "comparison" goods and services, since market density for each of Rainier Valley individual resident customer segments is quite thin. But, we believe that it is possible for Rainier Valley's *existing* businesses to recapture between 20-40 percent of the retail purchases Rainier Valley residents are currently making outside the community. By adding new product and service lines, offering deliveries, and selling products from mobile vending units, Rainier Valley businesses can increase their sales while also providing a broader range of merchandise to community residents, keeping some of the sales currently leaving Rainier Valley within the community.

We recommend that Rainier Valley retail businesses explore the following options and adopt those that they believe might have the greatest potential for them:

- a. Fill gaps by adding new product lines to existing businesses. Adding a new product line is one of the simplest ways for a business to grow its revenues. We believe the following product lines are supportable in Rainier Valley and would appeal to both Rainier Valley residents and to residents of the greater Seattle area:
 - Clothing that serves as a *destination*, such as:
 - Gently-used baby clothes and equipment
 - Baby clothes and equipment rentals
 - Second-hand bridal apparel
 - Used prom gowns
 - Transitional-size clothing rentals
 - Upscale women's clothing and handbag rentals⁵
 - Clothing by the pound⁶
 - Specialized work clothing (e.g., Carrhardt)
 - Vintage clothing (particularly vintage ethnic clothing)
 - Kente cloth, and clothing and accessories made from kente cloth
 - Handmade kintyaku bags
 - Home furnishings, such as:
 - Moderately priced imported baskets, tableware, prints, and decorative items
 - Household textiles
 - Repair services for small household appliances
 - Vintage, refurbished small kitchen appliances
 - Architectural salvage
 - Decorative and antique hardware
 - Clocks
 - New and antique tansu chests
 - Knock-down furniture

⁵ See, for example, From Bags to Riches (www.frombagstoriches.com).

⁶ See, for example, The Clothing Warehouse (www.theclothingwarehouse.com).

- Collectible posters
- Hand painted floor cloths
- Environmentally friendly home furnishings of all types
- Antique or handmade shuro brooms

A few suggestions for businesses interested in adding a new product line:

- Ideally, adding a new product line should be a decision made within the context of a new business plan, examining a business's overall goals and anticipated tactics for the next 3-5 years. Sometimes, of course, spontaneous decisions about which new product lines to add, based on a retailer's intuition, are also successful - but, when possible, it is best to launch a new product line as part of a comprehensive mid- or long-term plan to increase a business's sales.
- New product lines should usually complement the other product lines the business offers.
- New product lines might serve as a destination-like attraction that draws potential customers into a store - or they might serve as "impulse" items that regular customers might notice, and purchase, when visiting the store because of its other merchandise and services.
- If possible, choose product lines that might appeal to both Rainier Valley residents (because of their affordability, for example, or their role in a cultural tradition represented in Rainier Valley) *and* also to appeal to Seattle area residents and visitors (because of their uniqueness, for instance).
- Start modestly, without risking much capital. When possible, ask the supplier for flexible payment terms and for terms that would make it possible to return unsold merchandise for a full refund.
- Promote the new product line aggressively. Feature it in the storefront window display. Ensure that it is highly visible to customers as soon as they enter the store. Businesses with access to email marketing lists should send one or more special announcements about the new product line. Feature in-store demonstrations. Organize a reception for 100 or so of the business's most loyal

customers to celebrate the new product line. Send announcements of the new product line to local news media (e.g., the *Rainier Valley Post*) and to community publications. For new product lines that are relatively unique within the Seattle area, send press releases and a feature story to regional news media, and invite reporters to a private preview or to the opening reception.

- There could be some instances in which a new product line might gain enough market traction that, within a few years, the business owner might be able to spin off the product line into a new, freestanding business - so carefully track the new product line's sales.

- b. Offer deliveries within Rainier Valley. Offering deliveries can be a particularly good fit for community-serving businesses, like grocery stores, pharmacies, restaurants, and dry cleaners. Businesses in close proximity to one another might share the costs of offering a delivery service. Businesses might also offer a percentage of the total cost of each delivery to the person providing the delivery, in addition to a flat delivery fee or base salary, providing an incentive for the delivery person to help market and promote the store's products and the delivery service.
- c. Use mobile vending units (vending carts and delivery vans) to provide goods and services for which there might not be enough demand to support a freestanding business and to augment in-store sales. Mobile vending units also make it possible for a business to reach customers in many different neighborhoods, rather than relying primarily on those who live or work near a stationary business.

3. Develop new sales channels for Rainier Valley's retail businesses. In addition to developing new marketing channels to increase sales to Rainier Valley residents, we recommend that Rainier Valley's businesses also reach beyond the community's borders to find new customers outside Rainier Valley. A few suggestions:

- a. Offer unique (and physically small) merchandise from Rainier Valley businesses in vending machines in high-visibility areas (airports, major street corners, for example) throughout the metropolitan region. Ensure that the vending machines' branding is attractive, eye-catching, and reflective of some aspect of Rainier Valley's



A "BestBuy Express" vending machine at Nashville, Tennessee's airport sells iPods, headsets, gift cards, DVDs, and other small items.

personality, and that it clearly conveys the message that the merchandise offered comes from Rainier Valley shops.

- b. Rent pop-up stores⁷ in other parts of the Seattle area for short periods of time (several weeks to several months) and feature Rainier Valley businesses (retail, services, and restaurants) in the pop-up stores, increasing exposure for Rainier Valley's commercial centers.
- c. Place unique merchandise from Rainier Valley stores in higher-traffic stores in other parts of the Seattle metropolitan area, either through a wholesaling agreement, a consignment agreement, or a rented space agreement (perhaps using a rented shelf or cubicle like InQbox⁸).

4. Help independent businesses buy commercial property, or buy a share in commercial property. Owning all or part of the property within which they operate would provide greater financial stability for many independently owned businesses in Rainier Valley, making businesses' operating expenses more predictable and, in many instances, reducing overall operating costs.

There are a number of ways in which the City and its private-sector partners might help independent businesses buy commercial property, either wholly or in partnership with another entity. In particular, we recommend pursuing one or more of four possible options:

- a. A nonprofit community land trust that would own key commercial properties and lease them at below-market rates to businesses meeting certain criteria (such as an established track record of profitability or a solid business plan to provide a needed product line to Rainier Valley residents).

⁷ For general information on pop-up stores, see "When a Pop-Up Shop Makes Sense" (www.businessweek.com/smallbiz/content/nov2009/sb20091112_724305.htm) and "Pop-Up Shop" (http://retailtrafficmag.com/mag/retail_popup_shop).

⁸ See www.inqbox.com or http://springwise.com/retail/shelfspace_for_minipreneurs_up_1/ for more information on InQbox.

- b. Shared equity, with a nonprofit entity sharing ownership of key commercial properties with businesses meeting certain criteria⁹. Shared equity might be a particularly good fit for Muslim-owned businesses, given the religion's restriction on paying interest on borrowed money.
- c. Continuing to encourage development of retail condominiums and conversion of existing retail space to retail condominiums (as the Rainier Valley Community Development Fund is now doing), providing small business owners with opportunities to own the spaces in which they operate. Retail condominiums might also be owned by community-based nonprofit organizations or neighborhood-based stock ownership groups.
- d. Dedicating a pool of money to be programmed specifically for helping business owners purchase the buildings in which they operate their businesses. This program could operate in one or more of several ways:
 - i. It could provide gap financing, in the form of a grant, to cover the gap between the amount of the mortgage and the size of the mortgage the business's current rent payments would support, for several years.
 - ii. It could buy down mortgage interest rates.
 - iii. It could cover part or all of the first year's mortgage payments

In all instances, the incentive should be tied to performance benchmarks outlined in each participating business's business plan.

There appears to be a particularly critical need to help stabilize the small cluster of Somali-owned businesses on Rainier Avenue between Hillman City and Rainier Beach by helping these businesses purchase, or purchase a share of, the property they currently occupy, then to upgrade this property in the future.

⁹ The Lincoln Institute of Land Policy has published several articles about and case studies of shared equity programs. See www.lincolninst.edu.

5. Continue, and intensify, technical assistance to Rainier Valley's independent businesses.

Providing technical assistance to independently owned businesses is always somewhat challenging. The owners of many independently owned businesses find it difficult to take time away from their shops or offices to attend training workshops. Business owners whose businesses are most in need of technical assistance are often the least likely to participate in training workshops or to take advantage of other technical services offered. One-on-one assistance is time-consuming and often expensive. In commercial districts with international diversity, technical assistance providers sometimes find challenging for technical assistance providers to "translate" training and advice across language and cultural barriers.

We have consistently found that there is no *single* solution for providing effective technical assistance to independently owned businesses. Instead, we have found that the most effective approach is to offer assistance in a variety of formats, on an ongoing and consistent basis, with periodic incentives, competitions, and public recognition to assist and reward positive changes. Ultimately, one of the most important contributions a community's business owners can make to the overall revitalization initiative is to run their businesses as effectively as possible, meeting community consumer needs as well as possible - and that often means that it is difficult for business owners to attend structured meetings. Instead, it is often more effective to bring information directly to business owners, rather than asking them to participate in meetings or workshops. A few suggestions for doing so:

- Summarize information about one particular business development opportunity, market segment, marketing or management technique, or other topic of potential interest to independent business owners in an email message or on a single sheet of paper, in as brief and straightforward a manner as is possible, and distribute information to all business owners for them to read at a time convenient to them. Send out a new message once every couple of weeks. Keep each message brief and concise, with several practical implementation suggestions. Translate all materials into the major primary languages spoken by Rainier Valley business owners. Collect all the messages sent on a blog or website that business owners can access.
- Provide tangible incentives for business owners to take advantage of training and technical assistance by tying the assistance to a prize or reward of some sort. For example, offer free window display consultations during a period of several months, followed by a window display competition in each of Rainier Valley's major retail nodes,

with both popular votes (via website, perhaps) and juried votes, offering a substantial cash prize and publicity. Ensure that the volunteers or staff offering consultations are well versed in, and sensitive to, cultural preferences with regard to visual merchandising.

- Put together several business assistance teams - teams of people with expertise in essential business management and marketing topics - to provide *pro bono* assistance to Rainier Valley businesses. Each team might include an accountant, a small business attorney, someone skilled in online retailing, and someone with visual merchandising skills, for example, providing assistance to approximately 50-75 businesses annually. Each team would set up an initial meeting with each business to introduce itself to the business owner, become familiar with the business, offer any immediate advice or guidance the business owner might need, and invite the business owner to contact any team member whenever it wishes. The team should check back with each business every 4-6 months. Team members must sign a contract promising to treat information confidentially. Each team should include at least one member fluent in the primary language spoken by a majority of the businesses assigned to them. Team members need not necessarily be Rainier Valley residents.

In addition to helping business owners develop better skills and keep up to date on the overall retail development strategy, the business assistance teams will also play an important role in detecting potential problems a business might be experiencing (undercapitalization or excessive debt, for example) and can then alert nonprofit organizations, City agencies, or others who might be able to help intervene to find a solution.

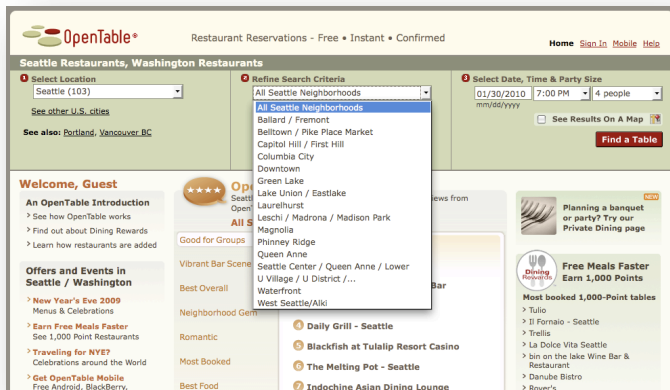
Among the specific needs and opportunities for business assistance that appear to exist in Rainier Valley:

- Participation in established marketing websites - particularly OpenTable¹⁰ (for restaurant reservations) and unScene¹¹ and LocalFirst¹² (for independently owned

¹⁰ www.opentable.com

¹¹ www.unscene.com

¹² www.balleseattle.org/projects/think-local-first/think-local-first



OpenTable.com makes it easy to find restaurants and reserve a table - but only one Rainier Valley restaurant currently participates.

businesses). Unscene and OpenTable currently list only one business each in Rainier Valley (Caffe Vita is listed in Unscene; La Medusa is listed in OpenTable).

- Exploring ideas for new product lines.
- Finding, importing, and selling products from outside the US.
- Transition planning for business owners considering retiring or selling their businesses.
- Adding new distribution channels, particularly:
 - Deliveries within the neighborhood
 - Deliveries within Seattle
 - Wholesale sales to Seattle-area businesses and restaurants
 - Online sales (shopify.com, foxycart.com)
 - Mobile vending, to create visibility in high-traffic locations and public spaces
- Negotiating better leases, particularly leases that charge the business a lower rate per square foot, plus a percentage of gross sales.
- Effectively managing and turning inventory.
- Preventing and deterring shoplifting.
- Training and managing staff.
- Developing and using marketing lists.
- Developing effective business plans.
- Marketing to new cultural groups and communities.

6. **Create tools to help capitalize retail development and expansion.** Many of Rainier Valley's independently owned businesses appear to be undercapitalized, making it difficult for them to keep up with current bills and obligations and almost impossible for them to develop and implement new business plans, even though the business's current business plan might no

longer be effective. In addition, it is sometimes difficult for independently owned businesses, particularly retail businesses, to find sources of business development and expansion financing. Most lenders are more willing to provide loans for retail businesses that are part of a national or international retail chain, and that therefore have the financial backing a large corporation behind them, than they are to provide loans to independently owned businesses. Retail under capitalization is usually a result of both of these factors - a weak or nonexistent business strategy, and a shortage of readily available capital.

We recommend that the City and its partners explore several models to help attract capital to Rainier Valley's independently owned businesses:

- a. A community venture fund that raises money from private-sector sources and makes strategic investments in key businesses, much like the Boston Community Venture Fund¹³ (which provided equity to companies like Zipcar and City Fresh Foods) and Pacific Community Ventures¹⁴ (which invests in California companies like Mercados SUVIANDA and Timbuk2 messenger bags).
- b. Community stock ownership in key businesses, providing equity, peer guidance, and a loyal customer base. A small, but growing, number of independently owned businesses are now owned in whole or part by community members. For example, residents of a Brooklyn neighborhood bought shares of stock in Vox Pop Cafe, a neighborhood coffee and book store in Brooklyn, worth a total of \$64,000 when they learned the business was on the verge of closing due to its \$33,000 debt load. Fifty residents of Bonaparte, Iowa purchased shares of stock at \$2,000 each to create a small grocery store.
- c. A program that ties loans to business plan benchmarks and that rewards businesses that meet specified goals. We recommend a program in which new, independently owned businesses (e.g., businesses lacking the capital and credit resources of a national retailer) are offered a package consisting of (1) up-front grants to cover immediate start-up costs, (2) business plan development assistance, and (3) below-market-rate loans, with loan repayments deferred for two years and loan balances reduced if businesses exceed net revenue projections by a certain percentage (we



Mercados Suviana's start-up was funded in part with equity from Pacific Community Ventures, a nonprofit entity that invests in businesses in overlooked communities, that provide jobs to low- and moderate-income people, and/or that serve customers of modest means.

¹³ www.bcvfund.com

¹⁴ www.pacificcommunityventures.org

would suggest 2-5 percent), giving businesses an opportunity to take root and build market share with minimal financial pressure. We recommend committing an average of \$75,000 to each business, with a minimum of five targeted new businesses per major commercial hub (Columbia City, Hillman City, Othello, Rainier Beach). A few potential features to consider when designing the program:

- a. An upfront grant of up to \$50,000 per targeted business, with a 1:1 match required
- b. A dedicated loan pool (or, perhaps, a dedicated source of equity investments), with below-market interest rates
- c. An average of \$100,000 per business, pooled, to be used to reduce loan balances for businesses that exceed their targeted net income goals during their first two years of operation
- d. *Pro bono* business plan development assistance
- d. An annual business plan competition for small businesses in Rainier Valley (e.g., businesses under \$1.5 million in gross annual revenues), with a fairly hefty prize, great public visibility, and a generous amount of technical assistance to prepare realistic and, hopefully, innovative business plans. We would suggest approaching a local or regional foundation or corporation for sponsorship of the business plan competition.
- e. A lease guarantee program, to help level the capitalization playing field between small businesses and national retailers by providing some assurance to developers and their lenders/investors that their leases will be (almost) as secure as those made to national chains. As a starting point for discussion, we would recommend generously estimating the risk, then putting together a guarantee program that would cover 75-80 percent of the value of leases to small businesses, should they default on their leases, with the businesses having to secure the remaining 20-25 percent (perhaps with collateral or personal loan guarantees).
- f. Matching entrepreneurs with private investors to launch new and expansion businesses and to purchase "retiring" businesses. The City or one or more of its



A group of police officers pooled their money to buy a century-old downtown bakery in Clare, Michigan, keeping the business alive when its previous owners retired.

private-sector partners might formally assemble a group of "angel" investors that could invite and evaluate investment proposals from entrepreneurs interested in launching businesses and existing business owners interested in expanding their businesses or opening a second location in Rainier Valley. Or, on a more casual basis, the City and its private-sector partners could actively cultivate contacts with potential investors and entrepreneurs, making introductions when they believe an investor and entrepreneur might good potential partners. One example: When members of Clare, Michigan's police department learned that the owners of a 113-year-old downtown doughnut bakery were planning to retire, all nine members of the police department pooled their money and bought the bakery, renaming the business "Cops and Doughnuts".¹⁵

- g. Providing businesses with creative ideas for quickly cobbling together capital. Earlier this year, for example, a restaurateur in California who needed to come up with some cash quickly for new kitchen equipment offered \$600 worth of meals as a premium to customers who purchased \$500 gift cards for his restaurant, raising \$30,000 in capital within two weeks.

7. Work with Safeway to improve its merchandise mix, visual merchandising, and service.

Safeway recently announced that it will retain and improve its Othello location. Safeway's decision makes it much less likely that another major grocer might consider locating in Rainier Valley in the near future. So, although there appears to be some *popular* interest among some Rainier Valley residents in trying to attract a Trader Joe's or a Whole Foods Market, Safeway's decision to improve its Othello store is likely to preclude either of these grocers from opening a Rainier Valley store. It will therefore be important that the renovated Safeway do a good job at meeting community needs and expectations. But we learned through our interviews that many Rainier Valley residents lack confidence that Safeway will be able to meet their needs.

We have seen many national grocery store chains successfully reposition their neighborhood stores to better meet residents' needs, and we believe that the Rainier Valley Safeway can also be successfully improved - but doing so will require persistent and specific

¹⁵ www.copsdoughnuts.com

input from members of the community¹⁶. We recommend a two-pronged approach to helping the store better meet the needs of Rainier Valley residents:

- a. First, encourage Rainier Valley residents to communicate directly with the store's manager and with Safeway's district manager. Encourage broad participation in this; hearing from as many community residents as are interested in having an improved grocery store in Rainier Valley will help underscore the magnitude of the need. Suggestions should be as positive and productive as possible - e.g., rather than dwelling on current shortcomings in the store's appearance, service, hours, or merchandise, suggestions should provide productive guidance on improving problems and on better meeting customers' needs.
- b. Second, invite a small group of influential Rainier Valley residents to meet frequently with the store's manager, and occasionally with the district manager, to evaluate and discuss improvements, providing feedback to Safeway's management on behalf of the community.

During the course of this assignment, a number of people asked us about the possibility of attracting Trader Joe's to Rainier Valley. We think it is unlikely - but possible. Our primary reasons for believing it is unlikely that Trader Joe's would open a Rainier Valley are these:

- According to Scarborough Research¹⁷, Trader Joe's looks for potential locations with a significant concentration of college-educated homeowners with an average age of 44 and median annual household incomes of \$64,000 and who are unlikely to have children at home. While Rainier Valley's residents include some whose demographics meet this general description, the size magnitude of this demographic cohort is below that of the neighborhoods of most existing Trader Joe's locations.

¹⁶ *Better Models for Urban Supermarkets*, written by William Neuendorf and Kennedy Smith and published in 2005 by the National Trust for Historic Preservation, provides a number of case studies of national grocery chains that have located in urban neighborhoods. See www.preservationbooks.org/Bookstore.asp?category_id=36&Item=1269.

¹⁷ Len Lewis, *The Trader Joe's Adventure: Turning a Unique Approach to Business Into a Retail and Cultural Phenomenon*. Chicago: Dearborn Trade Publishing, 2005.

- The fact that Safeway has announced plans to improve its Othello store might deter Trader Joe's (or any other grocery chain) from opening a Rainier Valley outlet.

8. Develop new businesses to augment the existing retail mix. We believe that helping existing businesses absorb some of the resident sales leaking from Rainier Valley is the best starting point - but there are also some new, freestanding businesses for which our research suggests there is sufficient retail market demand. These include:

- Home furnishings. With the development of almost 1,000 new housing units along the light rail line, there will be almost \$1.6 million in new retail demand for furniture, home furnishings, and household equipment (not including major appliances, for which there will be approximately \$230,000 in new demand). Some of this demand could (and should) be absorbed by existing businesses, but even if 20 percent of this new demand was fulfilled by existing businesses, there would be enough unmet demand to support as many as three new home furnishings stores. We recommend that these new stores be placed in relatively close proximity to one another, be located near a light rail station, and be tailored *primarily* (but not exclusively) to meet the needs of new Rainier Valley residents.
- New restaurants. We believe there is a particular need for restaurants offering a slightly more upscale experience than currently available and offering dining experiences unique within the Seattle metropolitan area. It is possible, of course, that some existing Rainier Valley restaurants could reposition themselves in order to create a more upscale dining experience, and we would encourage those restaurateurs who think this might be a viable option for them to do so. We think it is likely that Rainier Valley could support 4-6 new international restaurants offering a more upscale experience within the next three years and that, based on the success of these new restaurants and the spin-off business they might generate for existing Rainier Valley restaurants,

A few general suggestions for developing and recruiting new businesses:

- National retail chains almost always have very specific requirements for the demographics and traffic volume of the neighborhoods in which they locate, as well as specific physical requirements for the spaces they lease, for the other tenants in the shopping center or neighborhood, and for the center's or neighborhood's marketing

program. Retail brokers are familiar with many retail chains' specifications; specifications for about 10,000 chains are also available in the *Retail Tenant Directory*, produced by Trade Dimensions International.



After several year of operation, Cakelove, a cake bakery, opened a second business (Love Cafe) in Washington, DC's Shaw neighborhood, directly across the street from the bakery. Lenders and customers were already familiar with the bakery's products, helping give the new cafe a strong start.

- Like national retail chains, independently owned businesses will be interested in the demographics and traffic volume of the neighborhoods in which they consider locating. But their site selection process is not as formulaic as that for national retail chains and is often driven by needs for space that is larger or smaller, or configured differently, than their current space; for a location that has greater visibility, or a safer environment, or a marketing program that is more appropriate for them; for greater synergy with nearby businesses; or for any one of a number of other factors likely to be unique to each business.
- Very few independently owned businesses are on the radar screen of retail brokerages. Encouraging independent businesses to open an additional location, or encouraging entrepreneurs to launch a new business, is almost always a "one-off" process that involves simultaneously cultivating potential entrepreneurs, keeping a current inventory of available spaces and pending vacancies, and maintaining ongoing communication with property owners, realtors, and others who need to be involved in the process.
- The best candidate for launching a new retail business in a commercial district dominated by independently owned businesses is a business already operating successfully in that district or in a nearby district. The business owner is familiar with the district and its customers. Lenders, investors, and realtors are familiar with the business and its track record. And having an additional store within the district provides some economies of scale for the business, making it possible to share storage space, for example, and to shuffle staff between locations when one location is busier than another.
- When recruiting and developing new businesses, always stress retail contiguity on the ground floors of commercial nodes. As ground-floor non-floor vacancies gradually occur, shift offices and non-retail uses to side street and upper-floor locations.

9. Explore the possibility of attracting a moderately sized discount department store. We believe there is a reasonable chance that, with construction for a majority of the Martin

Luther King, Jr. Way's new residential units underway and Rainier Valley's population base growing and its demographics changing slightly, a moderately sized discount department store might consider locating in Rainier Valley.

We recognize that Target considered, but then rejected, a Rainier Valley location within the past few years - but the market has changed considerably since then, and we think it is possible that Target might now reconsider a Rainier Valley site. In the past several years Target has opened several stores in neighborhoods with demographic and population density profiles similar to those of Rainier Valley, such as Columbia Heights (in Washington, DC) and West Hollywood (in Los Angeles), and these stores seem to be performing well for Target and meeting some of their neighborhoods' retail needs.

Characteristic	Neighborhood			USA
	Rainier Valley	West Hollywood	Columbia Heights	
Zipcode	98118	90046	20010	
Population				
Median hshld. income (1999)	\$ 44,697	\$ 37,398	\$ 33,408	\$ 41,994
Median age	35.5	37.7	32.2	35.3
Average household size	2.87	1.72	2.59	2.59
Speak a language other than English at home	43.0%	42.5%	43.1%	17.9%
Individuals below poverty level	13.9%	12.1%	21.8%	12.4%

Table 2: Comparison of several demographic characteristics of Rainier Valley with West Hollywood, California, Columbia Heights (Washington, DC), and the US as a whole. *Source:* American FactFinder, US Census Bureau.

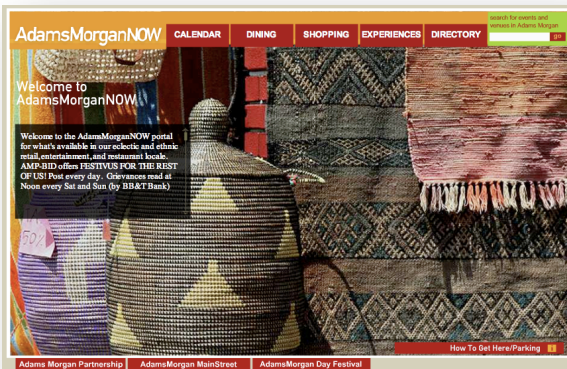
Other discount department stores willing to operate moderately sized units might also consider locating in Rainier Valley, particularly Wal-Mart and Fred Meyer. Each of these companies has different demographic targets and business models, and each might therefore have a different location preference within Rainier Valley. For example, a site between Mt. Baker and Columbia City might be of greater interest to Target, while Wal-Mart might prefer a site near Othello or between Othello and Rainier Beach.

We recommend that the City and its Rainier Valley partners contact Target and invite the company to reconsider a Rainier Valley location. We recommend being persistent - inviting

company representatives to tour Rainier Valley, updating them on new development activity, pointing out the similarities in Rainier Valley and other sites of theirs in urban neighborhoods throughout the country, encouraging neighborhood organizations and residents to contact them, and actively engaging them in a discussion of their site requirements and demographic requirements, then demonstrating - repeatedly, if necessary - that Rainier Valley provides a good fit. We also recommend inviting Target to open a pop-up shop in Rainier Valley. In the past several years, Target has been an industry leader in using pop-up shops to test the viability of new locations and new product lines¹⁸. Should Target ultimately be unresponsive, we recommend contacting Fred Meyer, then Wal-Mart.

MARKETING RAINIER VALLEY AND ITS COMMERCIAL NODES

While it tempting to envision a marketing program that would promote all of Rainier Valley as a cohesive, unified community, we believe that each of Rainier Valley's major commercial nodes - Columbia City, Hillman City, Othello, and Rainier Beach - should be marketed independently, with common messages and design elements linking the marketing materials and events between the four major nodes so that people understand that, while each node is distinct, it is related to the others.



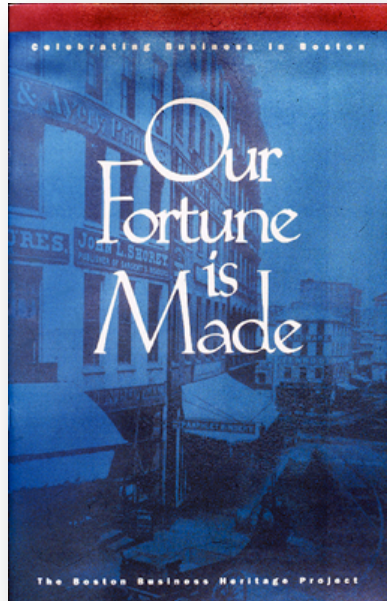
The website for Adams Morgan, a multicultural neighborhood commercial district in Washington, DC, is consumer-focused, making it easy to find out about businesses, events, and experiences. Each business keeps its own information current via a simple web-based interface.

10. Create a dynamic, consumer-focused website. Many of the nonprofit organizations at work in Rainier Valley have websites, and some of these websites include directories of businesses in Rainier Valley's commercial centers. These websites provide an invaluable service in helping connect businesses, build a sense of community among business owners, and disseminate important information to the business community. But people interested in shopping or dining out are not likely to go to an organization's website to look for information about their shopping and dining options.

We therefore recommend creating a set of four dynamic, consumer-focused websites - one for each major Rainier Valley commercial node - that makes it possible for people interested in shopping or dining in Rainier Valley to quickly find a business, explore shopping and dining options, learn about entertainment and special events available in the community, and read about special offers. The website should make it easy for residents and visitors to find retail businesses in Rainier Valley. It should tie together categorical business clusters, promote

¹⁸ See, for example, this recent Bloomberg.com news article about Target's use of pop-up shops to test locations and product lines: <http://www.bloomberg.com/apps/news?pid=20601103&sid=aZf1Jgg78pyk>

each neighborhood's distinctive retail personality, and generate buzz for each of Rainier Valley's commercial nodes. The websites should be searchable by node, category, and experience. They should be built on identical platforms, with organization arranged in similar ways so that website visitors understand that the websites, and the commercial nodes, are related, but each website should have a distinct, unique identity reflective of the personality of each of the major commercial nodes.



Boston, Massachusetts promoted independently owned businesses in operation for 50 years or more with "Our Fortune is Made", raising public awareness of the importance of longstanding businesses to the city and its neighborhoods.

- 11. Create a citywide designation program for "heritage businesses".** Many older and traditional commercial districts have businesses that have been in operation for years and that have become part of the fabric of the community. In many instances, these businesses have developed and sustained neighborhood traditions that have become integral to the community's personality. Some offer culturally significant craft skills. Some have played specific roles in the history of their communities. For these reasons, businesses like these are particularly important in defining their communities' sense of identity and in shaping a unique and positive public image of the district.

National programs that build awareness of the economic importance of independently owned businesses, like the 3/50 Project¹⁹ and BALLE (Business Alliance for Local Living Economies)²⁰, are quickly gaining solid traction among consumers and with news media, and we encourage Rainier Valley's businesses, organizations, and residents to participate in these programs. We recommend that the City go beyond the scope of these programs and create a "heritage business" designation program to focus public attention on the special experiences these businesses offer and to provide specific tools to help them remain viable.

We recommend that the heritage business program provide public recognition to businesses that meet certain criteria, such as reaching age benchmarks, providing services that preserve or promote a cultural or heritage skill, or playing a unique role in the City's history. We recommend that criteria for recognition be developed in conjunction with the City's historic preservation office (in the Department of Neighborhoods). We also recommend that the heritage business program provide specialized assistance in helping

¹⁹ The 3/50 Project (www.the350project.net) encourages consumers to pick the three independently owned businesses they would most miss, if they were to go out of business, and to pledge to spend at least \$50 supporting these businesses each month.

²⁰ www.livingeconomies.org

designated businesses with advanced business planning, succession planning, financing (e.g., for expansion, market repositioning, building acquisition, or development of new sales distribution channels) and, if needed, relocation or sale to a new owner.



[murmur] geotags places important to neighborhood business owners and residents who record their stories for others to hear online.

- 12. Create a program through which Rainier Valley business owners, residents, and customers can tag places with personal significance and record stories explaining why these places are significant to them.** Rainier Valley's businesses and commercial nodes have a rich history, representing the work of generations of residents and business people, and many of its buildings, businesses, and public spaces have taken on special significance for many members of the community. Over time, these personal memories create deep layers of meaning that help shape the community's personality and public identity.

Several communities in North America and Europe have experimented with programs that make it possible for people to geotag places with special significance for them, then to connect the geotag to a website or message database where information about why a particular place has significance for the person who tagged it can be recorded. Some examples:

- The Yellow Arrow Project²¹ (now defunct) provided participants with code-numbered stickers. Participants placed the arrow stickers so that the arrow pointed towards the significant site. They then sent a text message to a website explaining why the site is significant to them. People who saw the arrows could then go online and read the tagger's message.
- [murmur]²², a project launched in Toronto and now also taking root in the US, the United Kingdom, and Brazil, ties recorded messages from people to geotagged locations. People who see a [murmur] sign can call the phone number on the sign, punch in the code number on the sign, and hear the recorded message. They can also go to [murmur]'s website, view a map of a neighborhood, and click on a [murmur] location to hear the tagger's recorded message.

²¹ <http://yellowarrow.net>

²² <http://murmurtoronto.ca>

We recommend that [murmur] or a similar program be launched in Rainier Valley, with stories reflecting the community's rich international heritage and cultural diversity. Promote the program aggressively in regional news media.



The annual "What the Fluff?" festival in Somerville, Massachusetts celebrates a local food product - marshmallow fluff - with cooking contests, Fluff hairstyles, restaurant offerings, a tug of war, a Fluff science fair, and many more tongue-in-cheek activities, attracting tens of thousands of people.

13. Develop two signature promotional events for each major commercial node, creating an experience unique and specific to each node. Each event should be unique and highly creative, should draw on prevailing cultural traditions, should reinforce a positive public identity for the node, and should be inviting to all area residents and visitors, encouraging cross-cultural learning and celebration.

We believe that the best way to market Rainier Valley is to focus on each of the four major commercial nodes individually, but to ensure that there are connections between the events and collateral materials that take place in each node so that the public gradually becomes aware of the fact that each node, with its own distinct personality, cultural traditions, and businesses, is part of a greater whole. By designing and organizing signature events that into each node's unique traditions, using a common secondary tagline in promoting each of the events, and synchronizing the overall calendar so that events are spaced throughout the year, the organizations involved can promote the whole while also promoting the individual neighborhood.

Special events and festivals have a number of benefits for the community to hosts them as well as for the public to participate send them. Their primary purpose is, over time, to change public perception of the commercial district - reversing the negative perceptions and building new positive images. They also provide an opportunity to involve a large number of people, with a wide range of skills, in the planning process, indirectly building support for the overall revitalization initiative. And, although this is not their primary goal, most special events and festivals provide opportunities for businesses to increase their sales and to introduce potential new customers to the goods and services they offer.

A few examples of signature events in other urban commercial districts:

- Somerville, Massachusetts's Union Square commercial district organizes "What the Fluff?", an annual festival celebrating Marshmallow Fluff, a product invented and

manufactured in Union Square for almost 100 years. Launched in 2006²³, the event now attracts tens of thousands of visitors for Marshmallow Fluff-related food, a tug of war, science fair (2009 winner: "Adhesive Qualities of Fluff"), artwork featuring Fluff, and music (including performances by The Flufferettes). Neighborhood restaurants create special food for the event, such as fluffacino, tirimi-soup, and molten chocolate cake that erupts Fluff. The event has been featured on National Public Radio.

- Oakland, California's Fruitvale commercial district hosts the largest Dia De Los Muertos festival in the United States²⁴, honoring the memories of ancestors and celebrating life. Families make altars commemorating departed loved ones, artists conduct workshops to help participants (particularly children) create artwork for the altars, and restaurants and food vendors sell traditional food. The event also includes several traditional Mexican and Aztec ceremonies, earning it an entry in the Library of Congress's American Folklife Center. Launched in 1996 and sponsored by the Spanish Speaking Unity Council, the Fruitvale Merchants Association, and the Oakland City Council, the one-day street festival has grown steadily over the years, from 2,000 attendance its first year to 80,000 in 2008 and from a budget loss of \$3,000 its first year to a profit of more than \$30,000 last year. The event's sponsors credit the event with helping pass along cultural traditions to young people and helping strength and their connection to the neighborhood and its heritage.

There are already several events in Rainier Valley that serve as signature events, such as the Festival of Lights. We believe these events can create a good foundation for a complete calendar of signature events.

14. Market Rainier Valley and its commercial nodes outside Rainier Valley. Rainier Valley's retail environment can be strengthened by offering more to the community's existing customers and by making it easier for existing customers to do business with local stores. But, to truly transform Rainier Valley's retail environment into a significantly more successful one, it will need to attract visitors from outside the community.

²³ <http://www.unionsquaremain.org/committees/Special%20Events/fluff%20alt.html>

²⁴ <http://www.culturalheritagetourism.org/successStories/fruitvaleCaSidebarStory.htm>

Each of Rainier Valley's commercial nodes has a distinctive personality that needs and deserves its own marketing focus, and we believe that each node should develop its own marketing program. But marketing activities and collateral materials for each of Rainier Valley's major commercial nodes should also share some common messages and design elements so that the public understands that, although each of Rainier Valley's commercial nodes has a unique identity, all of them are interrelated - and these major, cross-cutting messages about their interrelationships need to be communicated to the greater Seattle region. We therefore recommend that Rainier Valley's business associations, the Rainier Valley Chamber of Commerce, the City's Office of Economic Development, and other organizations and agencies involved in marketing Rainier Valley encourage and help coordinate development of common marketing messages, based on two key goals:

- Creating an impression of Rainier Valley's authenticity, cultural richness, and pride in the minds of Seattle-area residents and visitors, and
- Changing negative perceptions about Rainier Valley.

One of Rainier Valley's greatest assets is its authenticity. Its businesses provide authentic experiences of cultural traditions from throughout the world. We believe it is crucial that the marketing activities created for each of the major commercial nodes and for Rainier Valley as a whole be based on and clearly convey this sense of authenticity.

As appealing as the authenticity of Rainier Valley's businesses and traditions are, it appears that many people for whom these traditions are not native are unsure of how to access them. They are unsure of what the experience of shopping in a Vietnamese grocery store might be like, or of whether they would feel awkward asking for help in understanding the menu in an Eritrean restaurant, or of whether they might inadvertently do or say something inappropriate at a Somali festival. During the course of our research, many people referenced Uwajimaya as a local success story for an ethnic market destination. The market feels very culturally and physically accessible, with virtually no language barriers for customers, and with convenient on-site parking. By contrast, Othello and MLK currently function as ethnic market destinations, but they feel less culturally accessible than Uwajimaya in store merchandising and language.

Fortunately, this resistance can be easily overcome with some relatively simple marketing activities. For example, press releases and media information about festivals, or feature

stories that describe a unique Rainier Valley business, might be accompanied by a sidebar that explains what to expect when visiting the business or taking part in the festival, translating the cultural experience for a broad audience. Individual stores could offer "translation" brochures at their entries, and the consumer-focused website could feature a series of guides and podcasts explaining these experiences and helping people feel comfortable, like insiders, when visiting Rainier Valley businesses, restaurants, and events.

A few possibilities:

- Develop a common secondary tag line to be used consistently when marketing events and businesses in Rainier Valley. It could be as simple as "We're part of Rainier Valley", or it could convey a more complex message.
- Develop an ongoing image-building campaign that features people from one cultural background saying, "I speak _____", the language of another culture, conveying a sense of fun and accessibility. Distribute free "passports" that can be rubber-stamped by Rainier Valley's international restaurants, and offer prizes for people who collect stamps from certain numbers of Rainier Valley restaurants.
- Develop an ongoing image-building campaign that highlights the international diversity of Rainier Valley's businesses and business nodes.

"Every Saturday morning, I go to Vietnam."
"Last night, I went shopping in Mogadishu."
"I slipped away to Mumbai for lunch today."

- Create and issue a constant stream of feature stories for area news media, profiling merchandise, traditions, and personal stories from Rainier Valley's businesses.
- Partner with hotels within the region to feature Rainier Valley's commercial neighborhoods on hotel key cards.
- Feature merchandise from Rainier Valley in vending machines in high-traffic places throughout the Seattle metropolitan area (see Recommendation 3).
- Feature Rainier Valley businesses in pop-up stores in downtown Seattle and other high-traffic commercial districts within the region (see Recommendation 3).

15. Develop a loyalty program for current and new residents and for current customers of Rainier Valley's businesses. Rainier Valley's current customers are, and are always likely to be, its most important customer segments. Its current customers can be roughly categorized in one of two ways:

- Recent immigrants who live in the greater Seattle area and for whom Rainier Valley's businesses and commercial centers - particularly its international businesses - and for whom Rainier Valley's commercial centers serve as regional shopping destinations, and
- current Rainier Valley residents, for whom Rainier Valley's commercial centers serve primarily as community-serving, convenience-oriented shopping centers.

Protecting, and expanding sales from, these customer bases will be critical to Rainier Valley's retail revitalization and growth. We therefore recommend that Rainier Valley's marketing program include a component to reward current customers for their continued patronage. In particular, we recommend developing a loyalty card that will reward Rainier Valley residents and workers, and also repeat visitors from other parts of the greater Seattle region, for patronizing Rainier Valley businesses.

An example: More than 200 businesses in Boston's citywide network of neighborhood Main Street revitalization organizations offer incentives to their customers through the Boston Community Change card (www.bostoncommunitychange.org). The card - which looks like a typical credit or debit card - offers customers incentives at participating businesses. Businesses can choose whatever incentives they wish to offer (a discount, for instance, or a free item or service), and they can change the incentive online as often as they wish. The card is free to customers. Businesses pay a small percentage of each transaction made using the card. The amount businesses pay is divided three ways: A portion of each transaction is returned to the customer in the form of a cash rebate, a portion is donated to the organization coordinating neighborhood revitalization activities, and a portion is donated to a nonprofit organization of the customer's choice. The program is promoted through a dedicated website (www.shoppingonmainstreets.com), through decals in the front windows of participating businesses, through electronic newsletters, and through the efforts of individual businesses and community organizations. The nonprofit organizations designated by cardholders to receive contributions through the program are also an integral

component of the program's promotion, spreading the word to their respective members and networks of supporters.

We recommend that a similar loyalty card program be offered by Rainier Valley businesses to Rainier Valley residents and customers. The card should be linked to the marketing website developed for Rainier Valley (see #9, above). We encourage Sound Transit to become a participating business, as well, perhaps tying incentives to ORCA farecards.

16. Seed new cottage industries and small manufactures in Rainier Beach. Given that auto-related businesses in Rainier Valley (and particularly around Rainier Beach) will likely disappear over the next decade or so due to zoning changes, we recommend that the City, community development organizations, and property owners actively cultivate new cottage industries and small, auto-independent manufactures to take their place. We think doing so could have several important benefits for Rainier Valley:

- providing new, non-retail uses for these sites
- providing jobs with good wages for people previously employed by auto-related businesses (as well as other Rainier Valley residents)
- helping small Rainier Valley businesses grow
- providing a potential venue for larger-scale manufacturing and distribution of products and services currently being made within small businesses and homes in Rainier Valley

When we refer to "industry, we are referring to a very broad range of small businesses that *create* things, such as food products, software, websites, or publications (versus retail businesses, which *distribute* things). The word "industry" still carries connotations of smokestacks and pollution - but, with regard to small industries, these are outmoded terms.

We believe that several unique opportunities exist for new, small-scale industries in Rainier Valley:

- a. Turning unique recipes from Rainier Valley restaurants into packaged food products that can then be sold through grocery stores and food distributors, in Rainier Valley



Food incubator La Cocina, in San Francisco, provides shared kitchen space, business guidance, and other types of assistance.

stores and restaurants, in "Made in Washington" stores, and online²⁵. This might be a concept in which South Seattle Community College's culinary program might be interested in participating.

An example: La Cocina²⁶, a nonprofit food business incubator in San Francisco, helps women, primarily from immigrant communities, create, operate, and grow food-related businesses. It provides shared commercial kitchen space, technical assistance, distribution assistance, and visibility, with about 20 fledgling businesses under its roof.

- b. Shared, sanitary food storage space, equipment storage space, food preparation space for vending carts and mobile vending units operated by Rainier Valley restaurants and food vendors.
- c. Providing shared storage and assembly space for Rainier Valley businesses that manufacture products for sale in their retail businesses.

An example: Atlantic Futons, now a large futon manufacturer, began in a 150-square-foot incubator space inside a restaurant in downtown Charlottesville, Virginia. The restaurant owner (who rented small incubator spaces to young businesses in the restaurant's entry passageway) provided the business owner with storage and assembly space in an unused upper floor.

- d. Providing a recording studio in which musicians from throughout Rainier Valley (and from other communities) can record music, recorded publications, podcasts, and other audio formatted material. In the course of our research, we found that there is no Vietnamese American commercial recording studio in the United States. While there might not be a large enough national market to support a freestanding studio specializing in the recording needs of the Vietnamese American community, given the costs of equipment acquisition, there might be sufficient demand to support production of materials in a studio whose expenses would be shared with other recording artists and businesses producing recorded materials.

²⁵ We heard, but were unable to confirm, that Mondo Meats had pursued a similar idea several years ago for halal meat processing and distribution.

²⁶ www.lacocinasf.org

- e. Businesses that make new products from recycled materials. The national and global markets for products made from recycled and sustainable materials is enormous and represents one of the most significant emerging opportunities for small-scale industry in the United States today. In many instances, the processes for repurchasing materials to produce new goods have minimal environmental impact and, as such, are a good fit for commercial areas adjacent to residential neighborhoods. There are an almost infinite number of possible products that could be made from recycled and repurposed materials in Rainier Valley.
- f. A coworking space. Coworking spaces - facilities that provides long- and short-term office space with shared amenities like conference rooms, office equipment, a reference library, and a shower (for those who commute by bicycle) - are quickly gaining popularity in neighborhoods with significant numbers of people who work for themselves from home offices. They provide a way for independent designers, consultants, software engineers, writers, and other independent service providers to rent office space affordably in a shared work environment with other professionals whose work provides opportunities for collaboration. There is already at least one coworking space in the Seattle area (Office Nomads, in Capitol Hill) but, according to our research, none currently exists in Rainier Valley.

There are a number of possible operating and financing models for each of these businesses. They could operate as for-profit or nonprofit businesses. They could be capitalized completely with private capital (either by a single owner or a group of investors), with capital from a foundation or other charitable funder, or with a blend. Because they would almost certainly create jobs for low- and moderate-income workers, they could use federal Community Development Block Grant funds and would also likely be of interest to charitable foundations.

IMPROVING THE PHYSICAL ENVIRONMENT TO ENCOURAGE RETAIL ACTIVITY

- 17. Enhance the appearance of the stretches of Martin Luther King, Jr. Way approaching each station.** For commuters traveling through Rainier Valley along the light rail line, much of Rainier Valley and its commercial centers will appear to be little more than a blur. They are likely to notice only the stretches of Martin Luther King, Jr. Way near each light rail station,

as the train slows and gradually comes to a stop. It is therefore important that these sections of the quarter be as visually enticing as possible, providing hints of the personality of the commercial district clustered around the station and extending into the adjacent neighborhood.

We believe that using light and video to attract attention to the commercial environment near each light rail station might have some particular benefits. The human eye is quickly drawn to light and motion. Light and video provide almost infinite flexibility in programming, keeping the public interested by keeping the content fresh and new. And many light and video installations are less expensive than static public art.

One example: The City of Austin has installed a row of "Sun Flowers" along the I-35 corridor²⁷. The petals of each flower are solar cells; they absorb solar energy during the day that is then used to illuminate the petals at night. In Austin, the Sun Flowers help cloak an otherwise unattractive view of the rear loading docks of a commercial strip by attracting attention to the "sunflowers".

18. Create a stronger gateway into Rainier Valley. At the moment, there is nothing that announces to a visitor approaching Rainier Valley from the north that he or she has entered Rainier Valley. We believe that creating a visually prominent entry way or gateway into Rainier Valley from the north would be valuable in helping define and create a public image of Rainier Valley for residents of the greater Seattle area. The gateway need not be costly or elaborate; it could be as simple as a billboard, or a series of banners or beacons. It could even change over time. We think that the portion of the triangular site bounded by McClellan, Martin Luther King, Jr. Way, and Rainier Avenue South (and owned by Sound Transit) that runs along Martin Luther King, Jr. Way might be an ideal location for a visually strong entryway to the MLK corridor - but there are any number of places near the intersection of Rainier Avenue and Martin Luther King, Jr. Way where a gateway could be effective.

19. Create a graphic identity system for each commercial node that conveys something recognizable, memorable, and unique about each node while at the same time sharing some

²⁷ <http://www.thisisbrandx.com/2009/09/energetic-art-in-full-bloom.html>

common design elements with the graphic identity systems for Rainier Valley's other commercial nodes, subtly conveying the message that each commercial node is part of a larger whole.

20. Improve storefront appearance. Many of Rainier Valley's commercial are uninviting. Window displays are crowded. Security grates suggest that the district is unsafe. Storefront elements - signs, transoms, cornices - need basic maintenance. While current customers might not be deterred by this, the uninviting appearance of many of the community's storefronts almost certainly deter potential new customers from visiting and shopping there, having a direct impact on businesses' bottom-line sales performance.

We recommend a year-long storefront improvement program, beginning in the spring of 2010, focusing on three types of improvements:

- Security grates: Storefront security grates convey the message that the commercial district is dangerous, discouraging shoppers. They also attract graffiti, and many fire and police departments claim that they make it more difficult to detect fires and crimes. Because of these concerns, New York's city council recently voted - unanimously - to ban storefront security grates that completely cover a storefront²⁸. The City will continue to permit storefront security grates that allow passers-by to see into the store. The new law gives businesses until July 1, 2026 - a generous 17 years - to remove complete-coverage security grates. Businesses can replace them with security grates providing 70 percent open area. New security grates installed after July 1, 2011 will need to comply with the new law.

There are a number of alternatives to exterior, roll-down security grates. Security grates or shutters can be installed inside a storefront window, for example, allowing merchandise to be displayed clearly in storefront windows while still providing security. Increasing the amount of ambient storefront lighting in the evening also tends to deter crime. Storefront awnings can be designed to cloak security grate roll-up mechanism during the daytime. And, for businesses that are adamant about needing solid security grates, trompe l'oeil paintings on the grate can at least create a more pleasant and engaging image.

²⁸ <http://www.nytimes.com/2009/12/03/nyregion/03gates.html?hp>

- Signs: Storefront signs should be clean and kept in good repair. They should reflect the scale of the storefront and the building and should not obscure the building's architectural features (windows, cornices, etc.).
- Window displays: Display windows are the most prominent characteristic of storefronts and the primary element establishing visual continuity along the street - so it is particularly important to ensure that window displays are attractive and engaging, not only for the sake of each individual business but also for nearby businesses.

We recommend creating a year-long program offering incentive grants of up to \$1,000, with a 1:1 match required, for each of these three categories of improvements. Business owners could apply for as many as three grants - one for each of these categories. Ideally, the program would be able to make at least 250 grants over the course of one year (we have found that incentive grants are usually most effective when they are focused on a specific type of improvement and when they are available for a relatively short period of time). We recommend offering *pro bono* design assistance in conjunction with the incentive grant program and making the application and approval processes as simple and straightforward as possible.

21. Create a public space/outdoor market at Othello. We recommend creating a public, outdoor market space at Othello, used daily for vending, outdoor dining, entertainment, and recreation. We make this recommendation for several reasons:

- Most of the types of independently owned businesses located near the Othello light rail station perform best when part of a cluster of businesses selling similar items or catering to demographically similar customers. Creating an outdoor market will make it easier for very small businesses (such as vending carts) to sell things, increasing the business density at Othello.
- An outdoor market creates a sort of "messy vitality" that is visually enticing to shoppers and visitors.
- Specialty ethnic stores and food shops whose business models work best in dense, walkable configurations do not always translate well to suburban-style neighborhood

shopping centers. A livelier street and public space will likely help many of Othello's businesses become more successful.

- There are very few public assembly spaces in Rainier Valley that provide commercial amenities and easy accessibility by light rail. Rainier Valley has a number of public parks, but none offers immediate proximity to a range of commercial services.

This space could also accommodate a farmers market.

We have consistently observed that the most effective public spaces in commercial centers have these characteristics:

- They can easily be programmed for many different uses.
- They provide a variety of ways for people to explore and relax - open spaces, seating areas, vistas.
- They are visible from high-traffic areas but provide a sense of enclosure and security.

We believe that Detroit's Campus Martius, completed in 2004 by a nonprofit organization, might provide a relevant model for a public space/outdoor market at Othello (albeit on a scale much larger than what would be appropriate at Othello). The 1.6 acre site was formerly a busy vehicular intersection owned by the City of Detroit. Redevelopment cost \$20 million, of which \$16 million was contributed by the private sector and \$4 million by the City. The City partnered with Detroit 300 Conservancy to maintain, program, and manage the park. The park includes public performance spaces, a seasonal ice skating rink, and art. A few other examples to consider:

- Jackson Square, in New Orleans
- Kensington Market, in Toronto
- Portsmouth Square, in San Francisco (adapted by San Francisco's Chinese community)
- Washington Square, in New York
- Dupont Circle, in Washington, DC

There are several potential options for creating the public market:

- It could be developed by a private-sector for-profit developer as part of reconfiguration of existing space (perhaps part of the parking lots in front of King Plaza, for example, if some or most of the parking spaces could be relocated nearby).
- It could be developed by a partnership between a for-profit developer and a non-profit entity, with the non-profit entity raising private-sector charitable contributions and assuming responsibility for programming and managing the space (as is the case with the Detroit 300 Conservancy and Campus Martius, in Detroit).
- It could be developed by a private-sector developer in partnership with the City, with the City committing Community Development Block Grant funds (and perhaps applying for an allocation of federal transportation enhancement funds) to pay for most of the costs.

22. Include housing types for specific cultural traditions in the new housing being developed along the light rail corridor, such as multi-generational housing, housing for extended families, housing that provides gender-segregated amenities, housing that provides shared public space, etc. Housing that appeals to and supports specific cultural traditions will help protect and expand existing culturally-specific retail markets in Rainier Valley, maintaining and solidifying existing customer groups. For example:

- Some cultures prefer that the toilet be in a room separate from the bathroom sink and tub/shower.
- Some cultures prefer two small living rooms, rather than one large one, so that men and women can socialize separately.
- In Muslim housing units, toilets should not face towards Mecca.
- Cultures in which multigenerational living is common prefer having four or more smaller bedrooms rather than a large master bedroom suite and one or two secondary bedrooms.

- Feng shui and vastu shastra traditions affect preferences about spatial relationships, lighting, orientation, placement of doors and windows, and other architectural design characteristics.

We believe that including housing types for a variety of cultural traditions will enhance the marketability of new housing along the light rail line and therefore does not need to be driven by regulations or incentives. We believe that, by making developers aware of the need for more diverse housing options and by helping developers develop a dialogue with representatives of Rainier Valley's international communities to learn more about housing preferences, the market will freely support development of a broader range of housing types.

23. Provide parking flexibility in commercial nodes that are currently heavily dependent on customers traveling by car. Many of the customers who currently patronize Rainier Valley's commercial centers come from outside Rainier Valley, and this is a critically important customer base for the community's businesses. But many of this market segment will continue to rely on cars to shop in Rainier Valley, either because light rail does not make it significantly easier for them to reach Rainier Valley (e.g., because they live in areas not conveniently served by light rail or other forms of public transit, or because the public transit connections and transfers necessary to reach the light rail line would take more time than is available to them) or because they make large or bulky purchases that are difficult to carry on foot.

We therefore recommend some parking flexibility along the light rail corridor. In particular, we recommend making on-street parking available on Martin Luther King Jr. Way during off-peak hours (weekdays after 6 pm and all day on weekends).

This solution, of course, still means that parking might be limited on weekdays before 6 pm. But it appears that the weekday daytime parking crunch is exacerbated by the tendency of business owners and their employees to use parking spaces that might otherwise be used by customers. Unlike the situation in many traditional commercial districts, most of the parking supply along the Martin Luther King Jr. Way corridor is on private lots that adjoin businesses, or in shopping centers (in most traditional business districts, parking tends to be on-street or in public lots). But the challenges - particularly at Othello/King Plaza - are very similar to traditional models: there might be sufficient parking for customers, but much of it

is occupied by business owners and their employees. And, because many of these spaces are private, there are no enforced time limits. We therefore recommend that business owners take on the responsibility of making spaces available for customers by using public transit (or other non-car travel) to reach their businesses and by requiring their employees to do the same.

We recognize that one of the challenges facing Rainier Valley is protecting parking spaces for customers by preventing parking by commuters. It will therefore be important that parking regulations for both public and private parking spaces along the light rail corridor be diligently and consistently monitored and enforced. To prevent disgruntled feelings by legitimate customers who need to travel by car, we recommend taking some special steps to minimize bad feelings and create a more positive experience. A few suggestions:

- Provide businesses along the light rail line with tokens or cards offering 30 minutes of free parking in metered parking spaces that they can distribute to their customers.
- Issue friendly warnings, rather than citations, for the first three months after the new parking enforcement and monitoring system is implemented. The warnings should be placed on windshields, like citations, but should have a friendly message, reminding car owners that spaces are reserved for short-term use by customers, not long-term use by light rail commuters.

DEVELOPING ORGANIZATIONAL INFRASTRUCTURE FOR RETAIL DEVELOPMENT

24. Strengthen Rainier Valley's organizational infrastructure to market Rainier Valley's commercial nodes, increase business assistance services, and augment policing. Earlier in this report we identified some of the factors that we believe have had the greatest impact on the condition of the retail industry in Rainier Valley. But the factor that will most directly influence the success or failure of the retail improvement strategies outlined in this report is the organizational infrastructure available to implement these strategies.

Rainier Valley has almost 1,500 businesses spread geographically over an area of more than ten square miles, with four major shopping nodes, yet it has only one full-time staff person (in the Rainier Valley Chamber of Commerce) devoted to retail marketing and business development augmented by a small handful of people at SEED, HomeSight, the Rainier

Valley Community Development Fund, and several City agencies whose jobs include a small percentage of time specifically for improving the quality and effectiveness of retail activity in Rainier Valley. By comparison, a typical regional shopping center with fewer than one-tenth the number of Rainier Valley's businesses usually has one or more employees devoted specifically to organizing marketing and promotional events, one or more devoted specifically to business development and recruitment, half a dozen private security officers augmenting the work of the municipal police, one or more engineers to keep the equipment running smoothly, one or more parking attendants, a team of workers who collect trash and keep the facility clean at all times, and a manager to coordinate all the activity.

It is imperative that the organizational infrastructure available for marketing Rainier Valley, for developing and attracting new businesses, and for keeping the physical environment attractive and appealing to residents, visitors, and commuters be substantially expanded. There are far too many tasks that need to be done, in a large, geographically dispersed community, to be done by the relatively few staff people in Rainier Valley's organizations and in City agencies whose jobs include some degree of responsibility for economic development in Rainier Valley. And no *one* entity currently has responsibility for coordinating the overall retail development initiative. While there are several organizations that could, conceivably, take on this responsibility, none currently has the budget or staff needed to do so.

We believe that, in the best of worlds, the best organizational model for coordinating Rainier Valley's retail development strategy would be a public-private development commission, funded with tax increment finance revenues generated from new development and property improvements in Rainier Valley. But, given that state law makes it impossible for Washington municipalities to use tax increment financing to support revitalization initiatives, we believe the best mechanism for coordinating Rainier Valley's retail development strategy would probably be a business improvement district, or a network of business improvement districts, accruing funds to provide dedicated marketing and business assistance staff and to provide visitors with a greater sense of safety. Seattle already has a strong and successful network of downtown business improvement districts, coordinated by the Downtown Seattle BID, and Rainier Valley already has one business improvement district (in Columbia City), so local organizational models are readily available. Another potential organizational model would be that of a community development corporation whose mission focuses exclusively on business development in Rainier Valley. Most community development corporations in the United States are primarily housing-focused,

Neighborhood Development Ventures, Inc.

A supporting organization of South Side Local Development Company

Neighborhood Development Ventures, Inc. is a non-profit, supporting organization of the South Side Local Development Company created to pursue real estate development projects beyond the traditional boundaries served by the SSLDC. The staff of NDV works in conjunction with local community groups to develop projects that respond to neighborhood needs. NDV is staffed by the real estate development staff of the SSLDC and is guided by a nine member volunteer Board of Directors. Some current NDV projects include:

Arlington Avenue

To improve the "gateway" to the Arlington Heights public housing community, NDV is in the predevelopment stage of building six single-family homes on or near the eastern end of Arlington Avenue. This is the first phase of a larger strategy designed to address pockets of distressed housing, provide quality neighborhood housing to underserved markets, and influence the redevelopment of the Arlington Heights site.

Hilltop Housing Initiative

The Hilltop Housing Initiative is a 50-unit affordable housing development to revitalize Pittsburgh's Allentown, Beltzhoover, and Knoxville neighborhoods. Phase I of the project will replace two blighted homes and six vacant lots. Eight units are under construction and expected to be completed in late 2005. In all, the development will replace more than 20 blighted structures and 40 vacant lots along Beltzhoover Avenue, and Climax, Industry, Estella, and Curtin streets.

Bausman Street Independent Living

In January 2006, NDV and ACTION-Housing Inc. completed 12 apartments for low-income persons with disabilities. Mercy Behavioral Health, Residential Care Services, and United Cerebral Palsy of Pittsburgh provide on-site supports for residents. This is an urban infill project designed to match the character of the existing neighborhood and have a catalytic effect on the residential market. In June 2006, BSIL received a Silver award during the Commonwealth Design Awards hosted by 10,000 Friends of Pennsylvania, and was the only development from Allegheny County recognized.



Neighborhood Development Ventures, Inc., a subsidiary of Pittsburgh, Pennsylvania's South Side Local Development Corporation, is actively involved in developing businesses and commercial property.

with a secondary focus on business development - but there is a growing number of community development corporations that, either through intention or evolution, focus as much on business development as housing development. Pittsburgh's South Side Local Development Corporation and Detroit's Southwest Detroit Business Association are good examples of community development corporations with a strong emphasis on economic development, and we recommend both as potential models for Rainier Valley.

But it takes time - several years, at least - to put a business improvement district or a community development corporation in place. We therefore recommend that the City and its private-sector partners begin laying the groundwork for launching a business improvement district, or a network of business improvement districts in Rainier Valley, within three years. Until then, implementation of the retail development strategy will need to take place through close collaboration between the agencies, nonprofit organizations, and business associations currently working in Rainier Valley, with one entity volunteering to serve temporarily as primary coordinator and communicator of the overall agenda.

25. Improve the City's B&O data collection systems. One of the initial steps in our research involved compiling an inventory of businesses (particularly retail businesses) in Rainier Valley, making it possible for us to analyze Rainier Valley's existing retail mix, to identify business clusters and niches, and to estimate the volume of retail sales currently being captured by Rainier Valley's businesses. We found that this task was complicated by gaps and miscodings in the B&O data available from the City. For instance:

- Many businesses (as many as 40 percent of those in the Othello district) have inaccurate North American Industry Classification System code number in the B&O database. For example, a restaurant was coded as a landscaping service; a dentist was coded as a retailer; and a hair salon was coded as a commercial printer.
- By May 2009, approximately one-third of the businesses in Rainier Valley had not yet filed their 2008 returns. We did not receive a completed list of businesses filing B&O returns until September 2009.
- Businesses with gross revenues under \$80,000 are exempted from paying B&O tax, although they are still required to file a B&O return - but it appears likely that many

Rainier Valley business owners may believe that, if their businesses' gross revenues are under \$80,000, they do not need to file a return.

Miscodings, late returns, and returns not filed by businesses exempt from paying B&O tax are not the City's fault, of course. But they point out an organizational weakness that needs to be addressed: Independent businesses may need hands-on assistance in completing B&O returns, particularly in selecting appropriate NAICS codes with which to report their business activity. Ideally, some entity - either the new entity suggested above or, until it is in place, perhaps the City's Office of Economic Development, the Rainier Valley Community Development Fund, or the Rainier Valley Chamber of Commerce - would meet with each new business in Rainier Valley within a few weeks of its opening to welcome the business to the community and to review some essential information with the business's owner and/or manager, including selecting the correct NAICS code for purposes of filing B&O returns.

Having an accurate list of businesses operating in any commercial district is essential to monitoring economic changes in the district, particularly for estimating whether the district's overall sales are increasing or decreasing. So, even though businesses that earn less than \$80,000 are not currently required to pay B&O tax, it would nonetheless provide the City with more complete information if it were to require businesses to file B&O returns even if their sales levels are low enough to exempt them from paying B&O tax.

Implementation

Transforming the economy of an older or traditional commercial district requires diligence, creativity, and coordination of many groups working together collaboratively. A few suggestions for implementing the recommendations in this report:

- **Break large tasks into small steps:** Large tasks often seem impossible until they are broken down into small, discreet steps that can be easily implemented by an individual, organization or agency in a relatively short period of time.
- **Divide and conquer:** It would be impossible for any one entity to singlehandedly undertake all the tasks that need to take place to strengthen Rainier Valley's commercial centers. Just as there are literally hundreds of small actions that have contributed to physical and economic deterioration and dysfunction in Rainier Valley over the past several decades, strengthening Rainier Valley's economy and improving its infrastructure to effectively encourage and facilitate commercial activity will require literally hundreds of small actions.
- **Coordinate:** In order to effectively implement hundreds of activities being done by dozens or even hundreds of different agencies, organizations, constituencies, businesses, property owners, and individuals, it is critical that there be a solid system in place for coordinating the many activities that need to happen. We have made several recommendations for improving the organizational infrastructure for community economic development and marketing in Rainier Valley in our report. While it might be ideal for a new organization charged solely with the task of coordinating the many tasks needed in a unified retail development and revitalization agenda, it is possible that any of Rainier Valley's existing organizations, or even a City agency, could take on this responsibility. The most important factors to consider when making the decision about who will serve as "coordinator" are that the coordinating entity have the confidence of the community and that this assignment does not compete for time and attention with other assignments in a way that might damage the overall initiative.
- **Leverage resources:** Every agency, organization, constituency, and individual interested and involved in Rainier Valley's retail improvement has particular skills, resources, and vantage

points that can be useful to the revitalization process. When breaking the major objectives contained in this report into smaller action steps, give careful thought to which entities might already have the skills and resources needed for each particular action step. In this way, the revitalization initiative can leverage existing knowledge, financial, and skill resources as fully as possible.

- **Start with many small projects ... and a few catalytic ones:** Starting with small projects helps participants develop the skills and collaborative partnerships needed to gradually tackle more complicated projects - and doing so can mobilize hundreds or even thousands of volunteers, building a broader base of support for the overall initiative. At the same time, moving forward with a few catalytic projects can accelerate the timeline and provide tangible evidence that positive change is taking place.
- **Monitor changes:** Over the next 3-5 years, carefully monitor changes in the numbers of businesses opening and closing, the numbers of businesses required to pay B&O tax (e.g., businesses whose gross annual earnings are greater than \$80,000), the numbers of people who attend special events and festivals, light rail ridership, and new investment in physical improvements to existing buildings as well as investment in new commercial construction in Rainier Valley.
- **Spread the word broadly:** It is particularly important that *all* businesses and property owners in Rainier Valley be kept up to speed on what's happening and that no business or property owner feel left out. As with so many aspects of commercial district revitalization, there is no one single tool that will reach all business and property owners. Use a variety of tools, including e-mail distribution lists, announcements in community bulletins, announcements at public meetings, websites, postcards, and personal contact.
- **Take a leap of faith:** In our 25-plus years of working with communities throughout the United States and around the world on commercial district revitalization and development, we have consistently found that the single biggest obstacle to revitalization is skepticism. When people believe that revitalization will succeed, it almost always does.

NEXT STEPS

Countless small and large factors affect the evolution of the form, economy, and personality of traditional commercial districts, and these factors are almost always very closely interwoven, with small changes in business operations, physical improvements, traffic patterns, or any number of things invariably causing a ripple effect of changes. For this reason, it is important that changes take place incrementally, with small shifts synchronized to gradually build towards significant transformations. Successful revitalization of older commercial districts happens through simultaneous activity on several fronts. Rather than tackling one major initiative at a time, it is usually more effective to move forward with several initiatives that, together, create momentum.

So, what happens next? We recommend these next steps:

- Organize a series of work plan development meetings, convened by the City's Office of Economic Development, to decide which of the recommendations in this report to adopt and to break each recommendation into a series of tasks.
 - Round 1: Begin with a work session with the key organizations involved in business and economic development in Rainier Valley to select which major activities to pursue. Decide which entity should take the lead on each major activity, and make some initial decisions about budget and funding options.
 - Round 2: Then, organize a round of work sessions for each of the major activities selected (one meeting for each major activity). This round of work sessions should have broader participation, involving participants with greater expertise in the specific activities. The goal of these meetings should be to identify the primary tasks that need to take place in order to complete each major activity.
 - Round 3: The final round of work sessions will break each task into specific actions, with specific assignments, timelines, and budgets. These work sessions might take place as group meetings, or they might be one-on-one meetings between one of the Round 2 participants and the individuals being asked to do each action.

At each step, participants would update the initial coordinating group with information about its decisions so that the coordinating group has a complete set of all actions, with information on who is going to implement each action, with timelines and preliminary budgets. The coordinating group can then look at all the pieces, together, and make final adjustments so that there is no duplication, no "holes", and adequate resources.

Here's an example:

- In Round 1, the participating organizations decide to move forward with 15 of the recommendations in this report. For each of the 15 recommendations, they identify some of the key stakeholders and experts who should be involved, and they make some tentative decisions about the budget and possible funding sources for each of the 15 recommendations.
- Round 2 consists of 15 meetings - one for each of the recommendations selected. Someone from the initial coordinating group attends each of the Round 2 meetings to explain the overall process and to discuss the specific recommendation on which that Round 2 group will be working. For the sake of the example, let's assume that one of the recommendations selected is Recommendation 10 - creating a dynamic, consumer-focused website. In this work session, participants will develop a list of every major task that needs to take place in order to create and launch the website, from developing content to hiring a web designer to teaching business owners how to upload information and keep their information current. In the Round 2 meeting focusing on this recommendation, participants might include representatives of all of Rainier Valley's business associations, one or more web design experts, and someone skilled at online marketing. Someone in each of the Round 2 meetings volunteers to record information from the meeting and return it to the initial coordinating group.
- In Round 3, participants in the Round 2 work session contact the people who will be asked to complete each action, discuss the action with them so that they understand it thoroughly, and develop a realistic timeline and budget. This might take place as one big work session, with many participants, or as a series of one-on-one discussions. Someone in each of the Round 3 meetings volunteers to record information and return it to the initial coordinating group.

- Within the next 3-6 months, move forward with several catalytic projects that will create visibility and resources relatively quickly. We recommend beginning with some activities that will create some immediate visibility and with some that will put in place some of the tools needed to intensify retail development and expansion. In particular, we recommend prioritizing these actions:
 - Providing a one-year subscription for a click-and-build ecommerce website (such as www.shopify.com) to 100 Rainier Valley retail businesses, awarded through a simple competition (part of Recommendation 5)
 - Creating tools to help capitalize retail development and expansion (Recommendation 6)
 - Developing a visitor/consumer-focused website (Recommendation 10)
 - Creating a citywide designation program for heritage businesses (Recommendation 11)
 - Beginning the process of creating a shared production kitchen and of helping Rainier Valley restaurants package and market unique food items (Recommendation 16)
 - Creating a facade improvement incentive grant program (Recommendation 20)

Sources of information

The information we used for our research came from many different sources.

We obtained demographic data for Rainier Valley from several sources - the US Census Bureau (and, in particular, its American Community Survey, which updates key data between the decennial censuses); ESRI; the Washington State Office of Financial Management; and the City of Seattle's Department of Planning and Development. We also obtained anecdotal information on trends since the 2000 Census of Population from Sound Transit, area realtors, bankers, and business owners.

We purchased information about the psychographic characteristics of Rainier Valley's households from ESRI, a private-sector service that provides geospatial, demographic, economic, and other data culled from sources as wide-ranging as the Census of Population, state retail sales tax databases, magazine subscriptions, club membership records, and utilities.

Our primary sources of information for our business inventories, which we used to identify physical and dispersed business clusters and to estimate the volume of retail sales currently taking place in Rainier Valley, were the City's business and occupancy tax records (which the city provided to us in aggregate format in order to protect confidential business information) and Polk City Directories, a print and online service that provides directories of businesses throughout the United States, updated quarterly. We checked the accuracy of both of these data sources during our tours of Rainier Valley's commercial districts during our initial site visit. We also examined the US Census Bureau's Economic Census (particularly its *Census of Retail Trade* and *Census of Food Services and Accommodation*), which provided us with general information on the sales performance of larger businesses in Rainier Valley. We used Workforce Explorer²⁹, an online database developed by the Washington State Employment Security Department and InfoUSA, to verify NAICS codes of Rainier Valley businesses.

The City's Office of Economic Development provided us with a wealth of information and references, including previous reports and studies, information from the series of neighborhood planning workshops conducted over the past year by the Department of Planning and

²⁹ www.workforceexplorer.com

Development, business and occupation tax information, directories of nonprofit organizations working in Rainier Valley, maps, and news articles documenting development activity in Rainier Valley over the past several years. The Office of Economic Development was an invaluable resource to us in many other ways, as well, including organizing meetings and interviews, alerting us to news items about Rainier Valley, and helping ensure that we were in communication with people representing as broader range of interests and perspectives as possible about retail development in Rainier Valley.

We reviewed a number of plans, both those currently being implemented and also those whose implementation in recent years has helped shape or plan for Rainier Valley's evolution. These include (but are not limited to):

- Sound Transit HCT Planning, *Sound Transit Long Range Plan - ST2 Planning*, October 2008
- Southeast Seattle Action Agenda
- Southeast Transportation Study³⁰
- SDOT Art Plan³¹
- Draft SDOT Pedestrian Master Plan³²
- "A Design Framework for the Othello Town Center", August 2001, City of Seattle Strategic Planning Office
- *Market Analysis of the Southeast Corridor Transit Station Areas*, prepared for the City of Seattle by Bay Area Economics and Pittman & Hames, August 1999³³

We drew information from numerous websites, including (but are not limited to) the following:

- Rainier Valley Community Development Fund³⁴
- Rainier Valley Historical Society³⁵
- Rainier Valley Post³⁶

³⁰ www.seattle.gov/transportation/ppmp_sets.htm

³¹ www.seattle.gov/transportation/artplan.htm

³² www.seattle.gov/transportation/ped_masterplan.htm

³³ www.ci.seattle.wa.us/transportation/SAP/BAE_Market_Study/Final_Report.pdf

³⁴ www.rvcdf.org

³⁵ www.rainiervalleyhistory.org

³⁶ www.rainiervalleypost.com

- City of Seattle's Office of Economic Development³⁷
- City of Seattle's Department of Planning and Development³⁸
- City of Seattle's Historic Preservation Program³⁹
- Sustainable Seattle's Neighborhoods Initiative
- Seattle Post-Intelligencer⁴⁰
- SEED (SouthEast Effective Development)⁴¹
- Capitol Hill Community Council
- Martin Luther King Business Association
- Rainier Chamber of Commerce
- Othello Chamber of Commerce
- Sound Transit

Finally, we conducted interviews with approximately 20 individuals, representing residents, property owners, realtors, business owners, public commissions, municipal agencies, community development organizations, and business associations. We augmented our interviews with realtors with data obtained from commercial space listings in CoStar.com, Trulia.com, and *The Seattle Times*.

³⁷ www.seattle.gov/economicdevelopment/n_c_devt.htm

³⁸ www.seattle.gov/dpd/Planning/Neighborhood_Planning/Overview/default.asp

³⁹ www.seattle.gov/neighborhoods/preservation/

⁴⁰ www.seattlepi.com/webtowns/town.asp?WTID=15

⁴¹ www.seedseattle.org

General limitations and disclaimer

Retail market analyses, their components (such as retail sales void analyses), and derivative business development plans provide important guidance on how a commercial center should, theoretically, be able to perform and on the sales levels businesses should be able to achieve. However, a number of factors affect the actual performance of retail businesses and commercial centers, including the skills of the business operator, level of business capitalization, the quality of the physical environment, changes in overall economic conditions, the effectiveness of business and district marketing programs, and many other factors. The information in this report is intended to provide a foundation of information for making retail recruitment decisions in Rainier Valley, but it does not, and cannot, ensure retail success.

As is true of all demographic, economic, and market studies, the reliability of our analysis is limited to the reliability and quality of the data available. Our research assumes that all data made available by federal, state, county and municipal sources, from community organizations, from Sound Transit, and from business owners is accurate and reliable. For Rainier Valley, there are several specific limitations worth mentioning:

First, because our analysis has been conducted towards the end of the decade, between the 2000 and 2010 decennial US censuses, population and household data is not quite as accurate as it would be if this analysis were conducted early in the decade, when demographic data is relatively new. We have relied on American Community Survey updates from the US Census Bureau, on anecdotal information from credible and informed local sources (including City agency representatives, Rainier Valley realtors, and community development organizations), and our own observations of population and retail sales changes in the neighborhoods included in this analysis.

Second, the retail market catchment areas of urban commercial districts are not confined to the boundaries of Census tracts or political jurisdictions. We have therefore had to make estimates based on available data and on our professional judgment.

Given these limitations, our report reflects what we believe are reasonable estimates of trends, current conditions, and future possibilities.

About the CLUE Group, LLC

The Community Land Use and Economics Group is a small, specialized consulting firm that helps community leaders create vibrant downtowns and neighborhood commercial centers. We work with local and state governments, nonprofit organizations, business improvement districts, developers, planning firms, and others to develop practical and innovative economic development strategies, cultivate independent businesses, identify regulatory and financial barriers, attract new investment, and make solid, forward-looking decisions about the economic uses of older, historic and traditional commercial districts.

Appendix A: RETAIL MARKET ANALYSIS

DEMOGRAPHICS

Our research began with an examination of some of the demographic and psychographic characteristics of Rainier Valley's residents. Characteristics like gender, age, household size, and ethnicity all affect the choices that consumers make about the products and services they buy, the times at which they shop, and the kinds of businesses they like to patronize. Some demographic characteristics have a more direct impact on consumers' retail choices. For example, someone's income is usually directly related to how much money they are able to spend on retail goods and services. Other demographic characteristics have a more subtle impact on consumer shopping preferences. For example, a household with several small children is likely to choose to dine out in a restaurant that has more larger tables and that is able to accommodate a little more noise and chaos than an empty-nest household looking for a quiet evening dining out together. And grandparents are more likely to buy slightly more expensive clothes and toys for their grandchildren than the children's parents are able to buy, making communities with relatively large numbers of retirees a more lucrative market for businesses selling upscale children's items, often regardless of the numbers of children living in that community.

Characteristic	2000	2008	2013	% change, 2000-2008	% change, 2008-2013
Population	43,422	46,591	48,978	7.3%	5.1%
Households	15,197	16,463	17,302	8.3%	5.1%
Families	9,985	10,677	11,142	6.9%	4.4%
Average household size	2.80	2.79	2.79	-0.4%	0.0%
Owner occupied housing units	8,954	10,114	10,378	13.0%	2.6%
Renter occupied housing units	6,243	6,349	6,923	1.7%	9.0%
Median age	35.6	36.5	36.8	2.5%	0.8%

Table 3: Some population characteristics of Rainier Valley residents from 2000-2008, with projections through 2013
(Source: Census of Population, American Community Survey)

We found a number of characteristics that suggest untapped retail market potential in Rainier Valley. For example, while the rate of growth of Rainier Valley's population is roughly keeping

pace with that of the overall United States, Rainier Valley's rate of new household formation slightly outpaces that of the nation, suggesting that market demand for home furnishings and home improvement products and services could grow over the next few years. This is bolstered by the fact that the number of renter occupied housing units in Rainier Valley is expected to grow by 9% between 2008-2013 (in large part reflecting the development of new rental housing along the light rail line) and creating an additional market for home furnishings.

We also found that the percentages of Rainier Valley households earning less than \$75,000 annually declined significantly between 2000 and 2008 and will likely continue to decline as earnings gradually increase and the community's population grows. In addition, the households experiencing the most rapid rates of growth in Rainier Valley between 2000 and 2008 were those with household incomes of \$150,000 or greater annually.

Household income	# households			% change, 2000-2008	% change, 2008-2013
	2000	2008	2013		
Less than \$15,000	2,732	1,833	1,576	-38.3%	-18.0%
\$15,000 - \$25,000	1,803	1,592	1,340	-18.5%	-20.6%
\$25,000 - \$35,000	1,636	1,478	1,200	-16.7%	-23.3%
\$35,000 - \$50,000	2,438	1,847	1,663	-30.4%	-14.3%
\$50,000 - \$75,000	2,936	2,889	2,729	-9.8%	-9.7%
\$75,000 - \$100,000	1,513	3,097	2,964	88.0%	-9.0%
\$100,000 - \$150,000	1,333	1,983	3,329	36.4%	60.0%
\$150,000 - \$200,000	420	889	992	92.9%	5.6%
\$200,000 and above	343	857	1,508	126.1%	67.3%
Median household income	\$ 43,319	\$ 62,016	\$ 75,862	43.2%	22.3%
Average household income	\$ 58,147	\$ 80,392	\$ 97,936	38.3%	21.8%
<i>Per capita</i> income	\$ 20,612	\$28,600	\$ 34,745	38.8%	21.5%

Table 4: Household income characteristics of Rainier Valley residents from 2000-2008, with projections through 2013
(Source: Census of Population, American Community Survey)

Both of these facts suggest that the amount of disposable income available for nondiscretionary and discretionary retail spending in Rainier Valley is growing and will likely continue to grow

over the next few years. The magnitude of household income growth in the short-term future is likely to be dampened somewhat by the economic downturn of the past two years, but the trend towards higher median and average household incomes and higher per capita incomes in Rainier Valley will likely remain, albeit at a somewhat slower pace than projected in 2008.

Age	# individuals			% change, 2000-2008	% change, 2008-2013
	2000	2008	2013		
0-4	2,893	3,140	3,394	0.0%	3.0%
5-9	2,990	2,907	2,991	-10.1%	-1.6%
10-14	3,232	3,075	2,933	-10.8%	-9.1%
15-19	3,064	3,263	3,102	-1.4%	-10.0%
20-24	2,587	3,445	3,686	23.3%	1.4%
25-34	6,504	6,467	7,316	-7.3%	7.2%
35-44	6,935	6,836	6,297	-8.1%	-12.2%
45-54	6,462	6,900	7,160	-0.7%	-1.4%
55-64	3,608	5,267	6,154	36.1%	11.5%
65-74	2,604	2,595	3,151	-6.7%	14.3%
75-84	1,900	1,847	1,806	-9.1%	-7.5%
85 and over	643	850	985	20.0%	11.1%

Table 5: Household income characteristics of Rainier Valley residents from 2000-2008, with projections through 2013
(Source: Census of Population, American Community Survey)

We found that the age cohorts experiencing the greatest rates of growth in Rainier Valley between 2000 and 2008 were (a) people 20-24 years of age, (b) people 55-64 years of age, and (c) people 85 years of age and over.

It also appears that the ethnic groups expected to experience the greatest growth, percentage-wise, by 2013 will be Asians and "some other race", the latter of which consists primarily of new African immigrants. In numbers, Asians will remain the dominant ethnic group in Rainier Valley, with a population growing from 14,060 in 2000 to 17,857 in 2013.

Race and ethnicity	# individuals			% change, 2000-2008	% change, 2008-2013
	2000	2008	2013		
White alone	12,680	11,881	11,559	-12.7%	-7.5%
Black alone	11,224	12,208	12,831	1.6%	0.0%
American Indian alone	460	448	443	-9.1%	-10.0%
Asian alone	14,060	16,312	17,857	8.0%	4.3%
Pacific Islander alone	600	616	629	-7.1%	0.0%
Some other race alone	1,537	1,885	2,149	14.3%	10.0%
Two or more races	2,861	3,240	3,509	6.1%	2.9%
Hispanic origin (any race)	2,819	3,573	4,125	18.5%	9.1%

Table 6: Race and ethnicity characteristics between of Rainier Valley residents from 2000-2008, with projections through 2013 (*Source:* Census of Population, American Community Survey)

The implications of these changes in the numbers and percentages of Rainier Valley residents by race and ethnicity are much less significant than the implications of the changes in the numbers and percentages of Rainier Valley residents by age. The fact that the 20-24 year age cohort is likely to grow, for example, means that it is likely that there will be increasing demand for furniture and home furnishings in Rainier Valley in the next decade as these young adults establish households and begin making household purchases. Similarly, growth in the 55-64 year age cohort likely means that established, empty nest households will be downsizing and moving into smaller housing units, which could also translate into increased demand for household furnishings appropriate for smaller housing units. Both of these age cohorts are also likely to be significant purchasers of infants' and children's clothing, toys, and accessories - the younger cohort shopping at lower price points and the older cohort shopping at higher price points.

PSYCHOGRAPHICS

We obtained data from ESRI on the psychographic characteristics of Rainier Valley households. ESRI uses data from a broad range of sources (including data on magazine subscriptions, movie and television viewing habits, hobbies, education levels, professions, and vacation preferences) to develop its psychographic profiles. It then classifies neighborhoods into one of 65 different categories.

We found that half of all Rainier Valley residents fall into one of two ESRI categories, reflecting the community's two major market segments: immigrant households from throughout the world; and middle-income, primarily white households.

- **International Marketplace** (29.8 percent), which ESRI describes this way:

"International Marketplace neighborhoods represent the cutting edge of immigration, one of the major demographic trends shaping the U.S. future. This developing urban market presents a blend of cultures and household types. With a median age of only 30 years, the population is young. Married-couple and single-parent families with children comprise 45 percent of the households. Most rent apartments in multiunit buildings; however, more than 30 percent have purchased a home. This market is located primarily in coastal gateway states. Home and hearth products are not the top purchases for this young segment; family is their priority. They buy medical insurance, groceries, children's clothing, and diapers. Limited income dictates careful expenditures at stores such as Target, Wal-Mart, and Kmart. For convenience, they also frequently shop at 7-Eleven and other similar stores. International Marketplace residents are loyal listeners of contemporary hit, Hispanic, and urban radio programming."

- **Main Street, USA** (20.4 percent), which ESRI describes this way:

"Main Street USA residents profile the American population. They are families with a growing mix of single households (household size of 2.51), have a median age of 36 years, have a comfortable middle income with a median of \$50,000, and are homeowners (64 percent) living in older single-family homes with a market value of \$165,000. They are suburbanites who live in smaller metropolitan U.S. cities. Active members of the community, Main Street USA residents participate in fund-raising and volunteer programs. They enjoy taking day trips to the beach, visiting a theme park or the zoo, or occasionally taking a domestic vacation. They invest in tools bought at Home Depot or Lowe's to complete small home improvement and remodeling projects. They rely on the Yellow Pages over the Internet for information about restaurants, stores, and contractors."

ESRI also places another ten percent of Rainier Valley residents into its "Pacific Heights" category, which it describes like this:

"These households are found in the high-rent districts of California and Hawaii. Median home value is \$435,000, with residents favoring single, detached houses or townhomes. This market is small but affluent, with one in two households earning more than \$71,000 annually. They are financially savvy. They trade stocks, bonds, or mutual funds regularly on the internet, and some might have refinanced their homes. These urbanites embrace a healthy lifestyle by exercising regularly, taking vitamins, and practicing yoga. These households make frequent phone calls overseas and own more than three cellphones."

ESRI Tapestry psychographic segment	Percent of all households	
	Rainier Valley	USA
International Marketplace	29.8%	1.3%
Main Street	20.4%	2.6%
Pacific Heights	10.2%	0.6%
Urban Melting Pot	8.9%	0.7%
Pleasant-Ville	5.6%	1.7%
City Strivers	5.1%	0.7%
Wealthy Seaboard Suburbs	4.1%	1.4%
High Rise Renters	3.9%	0.7%
Trendsetters	3.7%	1.1%
Metropolitans	2.8%	1.2%
NeWest Residents	2.4%	0.9%
Cozy and Comfortable	2.1%	2.8%
Urban Chic	0.7%	1.3%
Prosperous Empty Nesters	0.4%	1.8%

Table 7: Percentages of households in Rainier Valley and the United States in various ESRI Tapestry psychographic categories (Source: ESRI)

BUSINESS MIX, CLUSTERS, AND NICHES

We next examined Rainier Valley's existing businesses to understand how well (or not) they are currently performing and to identify existing niches and clusters.

We obtained a list of the names and addresses of Rainier Valley businesses from the City's business and occupation tax records. We also obtained a list from Polk City Directories, a service

that compiles business databases from many sources, updating them monthly. We found some significant discrepancies in the numbers of businesses listed in the City's B&O tax records and in Polk City Directories. The 2008 B&O data lists 976 active businesses (e.g., businesses that they had paid their 2008 license fees) in Rainier Valley. In March 2009, Polk City Directories listed 1,356 businesses in the same geographic area.

2-digit NAICS	Description	#	%
11	Agriculture, forestry, fishing and hunting	2	0.2%
23	Construction	83	6.3%
31	Manufacturing	9	0.7%
32	Wood product manufacturing	8	0.6%
33	Primary metal manufacturing	12	0.9%
42	Wholesale trade	36	2.7%
44	Retail trade	146	11.0%
45	Sporting goods, hobby, book, and music stores	45	3.4%
48	Transportation and warehousing	31	2.3%
51	Information	35	2.6%
52	Finance and insurance	52	3.9%
53	Real estate and rental and leasing	67	5.1%
54	Professional, scientific, and technical services	76	5.7%
56	Administrative + support and waste management + remediation services	91	6.9%
61	Educational services	37	2.8%
62	Health care and social assistance	134	10.1%
71	Arts, entertainment, and recreation	30	2.3%
72	Accommodation and food services	99	7.5%
81	Other services (except public administration)	249	18.8%
92	Public administration	18	1.4%
99	Unknown	61	4.6%

Table 8: Numbers and percentages of Rainier Valley businesses, by two-digit NAICS code (*Source:* Polk City Directories, Workforce Explorer, CLUE Group)

There could be any (or several) possible reasons for this difference. For example, businesses that are exempt from paying B&O tax might not be aware that they are nonetheless required to file a tax return, or businesses required to pay B&O taxes might knowingly have chosen not to do so, or the community could have experienced a net gain in new businesses in the first quarter of 2009. It is likely that, to some extent, all of these play some role in the gap between the City's records and Polk City Directories' records. From conversations with staff and volunteers with organizations that work with Rainier County businesses, it appears that the largest percentage of the roughly 380 businesses not included in the City's B&O records are small businesses that do not realize they are required to file tax returns even if they do not owe B&O taxes.

We then categorized all Rainier Valley businesses by two-digit and three-digit NAICS⁴² code, recoding approximately 15 percent of those that were miscoded in the B&O records in the process. We found that 11 percent of Rainier Valley's businesses are retail businesses, making it Rainier Valley's second-largest business sector, after "other services (except public administration)", which accounts for 19 percent of the community's businesses. Health care and social assistance businesses make up 10 percent of the community's businesses; accommodation and food services make up 7.5 percent; administrative and support and waste management and remediation services make up about seven percent; and construction businesses account for slightly more than six percent of Rainier Valley's businesses.

Using B&O data for 2006, 2007, and 2008 we calculated the rates of change in sales, by two-digit NAICS category, in the past few years. We found that sales declined between 2006-2008 in nine of the 21 business categories - including retail trade, which experienced a 13 percent decrease. The categories experiencing the largest increases were wood product manufacturing; arts, entertainment, and recreation; transportation and warehousing; wholesale trade; and accommodation and food services.

Using data from the B&O records on gross revenues by two-digit NAICS code, data from the *Census of Retail Trade* and *Census of Accommodation and Food Services*, and data from our proprietary database of small business surveys, we estimated 2008 sales for the businesses missing from the B&O records' list in order to have a more complete estimate of Rainier Valley sales volumes.

⁴² North American Industry Classification System. NAICS assigns a two-digit code number to each major industry sector, with three- to six-digit code numbers providing increasingly greater detail.

2-digit NAICS	Description	2006			2007			2008			Change, 2006-08
		Revenue	#	Revenue/ business	Revenue	#	Revenue/ business	Revenue	#	Revenue/ business	
11	Agriculture, forestry, fishing, hunting	-	-	-	-	-	-	-	1	-	-
23	Construction	39,904,167	59	676,342	45,795,489	61	750,746	31,537,581	64	492,775	-21%
31	Manufacturing	31,595,095	66	478,714	35,326,401	56	630,829	35,511,558	56	634,135	12%
32	Wood product manufacturing	1,795,246	11	163,204	26,815,388	14	1,915,385	24,334,746	16	1,520,922	1256%
33	Primary metal manufacturing	2,270,051	23	98,698	2,005,443	18	111,413	2,042,671	21	97,270	-10%
42	Wholesale trade	41,571,144	251	165,622	53,497,979	239	223,841	51,317,137	214	239,800	23%
44	Retail trade	68,390,488	137	499,201	62,426,902	129	483,929	59,685,764	125	477,486	-13%
	Sporting goods, hobby, book, and										6%
45	music stores	19,079,632	54	353,327	12,720,867	57	223,173	20,174,514	49	411,725	
48	Transportation and warehousing	2,730,028	32	85,313	3,510,918	30	117,031	4,245,447	30	141,515	56%
51	Information	2,008,054	15	133,870	552,470	13	42,498	928,370	22	42,199	-54%
52	Finance and insurance	2,172,940	13	167,149	949,281	11	86,298	983,345	13	75,642	-55%
53	Real estate and rental and leasing	17,786,243	10	1,778,624	19,620,377	16	1,226,274	4,417,214	16	276,076	-75%
54	Prof., scientific, + technical svcs	12,365,095	146	84,692	12,163,637	130	93,566	10,274,728	131	78,433	-17%
	Admin. + support + waste mgmt +										-16%
56	remediation svcs	6,688,835	36	185,801	7,677,222	39	196,852	5,632,006	47	119,830	
61	Educational services	1,557,729	4	389,432	736,887	6	122,814	1,775,268	7	253,610	14%
62	Health care and social assistance	13,997,547	67	208,919	15,721,037	63	249,540	16,364,342	58	282,144	17%
71	Arts, entertainment, and recreation	348,742	12	29,062	468,114	10	46,811	646,746	14	46,196	85%
72	Accommodation and food services	4,795,047	28	171,252	5,662,346	29	195,253	5,899,205	30	196,640	23%
81	Other services (except public admin.)	19,643,149	44	446,435	9,785,135	44	222,389	10,729,229	51	210,377	-45%
92	Public administration	800,558	5	160,112	70,378	4	17,595	311,239	8	38,905	-61%
99	Unknown	284,700	5	56,940	-	2	-	181,395	3	60,465	-36%

Table 9: Numbers of Rainier Valley businesses included in the City's B&O records, their gross revenues, and average revenues per business for 2006, 2007, and 2008, and the percentages of change from 2006-2008, by two-digit NAICS code (Source: City of Seattle, CLUE Group)

In general, the data suggests significant sales growth in dining out (e.g., a 23 percent increase in gross sales in the "Accommodation and food services" sector between 2006-2008), manufacturing, health care and social assistance, and wholesale trade. It suggests modest growth in several other categories. While revenues in the "Construction" and "Real estate" sectors have declined, these declines parallel the economic downturn and most likely do not suggest a potential problem specific to Rainier Valley. There has been some erosion among

professional and personal services (e.g., a 17 percent decline in the "Professional, scientific, and technical services" sector, which includes professions like architecture, engineering, and accounting, and a 45 percent decline in the "Other services (except public administration)" sector, which includes professions like auto repair, household repairs, personal care services (like hair and nail care), and cleaning services.

The business clusters we identified through our inventory research are, in almost all instances, self-evident and well-established, and most were mentioned to us by many of the individuals and groups with whom we spoke - the cluster of Vietnamese businesses near the Othello station, for example, and the cluster of Somali businesses on Rainier Avenue, between Hillman City and Rainier Beach. We also identified a few smaller clusters, most notably a cluster of professional offices in Columbia City, whose compact, contiguous buildings lend themselves well to development of small, compatible businesses.

Retail clusters (such as the clusters of international businesses scattered throughout Rainier Valley) provide obvious benefits to both customers and businesses. Customers benefit by having a wider variety of goods and services accessible to them in a compact area. Businesses benefit by having exposure to a larger number of potential customers than they would likely be able to attract independently. But office clusters also provide benefits - particularly for the businesses themselves, by creating opportunities to collaborate on projects and to provide services to one another.

Rainier Valley also has several *niches* worth noting. A niche is a group of businesses with some sort of related focus or specialization - but, unlike a cluster, the businesses that comprise a niche need not necessarily be in close proximity to one another. So, for example, Rainier Valley currently has a relatively large number of auto-related businesses that could be considered a niche because, together, they represent significant skill and specialization - and the businesses in this niche are widely spread throughout Rainier Valley, rather than (with a couple of exceptions) concentrated in any particular Rainier Valley neighborhood. Rainier Valley's most significant niches are:

- International food
- Small-scale, "cottage" industries (including a few emerging 'green' industries, such as Bio Lyle's Biodiesel Workshop⁴³)

⁴³ www.biolye.com

- Social services

We believe that cultivating development of retail clusters whenever possible, and cultivating expansion of the international food and small-scale industry niches, could be important drivers of Rainier Valley's long-term economic growth.

RETAIL DEMAND

We estimated the amount of retail demand generated by four groups:

- Current Rainier Valley residents
- The likely new residents of new housing units being developed along the light rail corridor in Rainier Valley
- The people who will be commuting through Rainier Valley on the new light rail
- Residents of the greater Seattle metropolitan area

There is, of course, some overlap among these groups. For instance, almost all of the people in the first three groups are also residents of the greater Seattle metropolitan area, and some of the light rail commuters will be current Rainier Valley residents.

"Retail demand" means the amount of money that Rainier Valley households are likely to spend on a range of retail products and services, in total, over the course of one year. To estimate retail demand, we use data from the US Bureau of Labor Statistics' *Consumer Expenditure Survey*, which collects information from survey diaries completed by randomly selected households and from interviews on the amount of money households spend. The Bureau of Labor Statistics then reports data on how much money households of different household demographic characteristics for a variety of goods and services. We then multiply these annual per-household expenditures by the numbers of households of different income levels, household size, the ethnicity and age of the household survey respondent, and other demographic characteristics. Each of these calculations yields a slightly different overall estimate of retail demand. In evaluating these calculations, we lean towards the more conservative estimates of retail demand, increasing the likelihood that existing businesses might be able to incrementally increase sales by absorbing unmet market demand.

We find retail sales demand estimates to be one of the most helpful market analysis components; it provides a rough estimate of how much money the households in a given geographic area are currently spending on various goods and services.

For retail development planning purposes, sales demand estimates can be very helpful in setting potential targets, based on specific marketing strategies, and then evaluating what dollar volume of sales one might expect from those targets and strategies. So, for example, if aggressively marketing Rainier Valley's restaurants within the greater Seattle area means that Seattle-area households begin spending, say, 0.25 percent more of their dining-out dollars in Rainier Valley, we can estimate that that would mean about \$1.1 million in additional restaurant sales (from Table 10: Greater Seattle area residents currently spend approximately \$4,009,420,000 on dining out annually, plus \$281,392,000 on alcoholic beverages consumed in restaurants, for a total of \$4,290,812,000, and 0.25 percent of this is \$1,073,000).

We based our estimates of retail demand on the following assumptions:

- Rainier Valley has approximately 15,200 households.
- There are, or will soon be, 1,000 new housing units developed in Rainier Valley, primarily along the light rail line.
- Approximately 29,900 people will use light rail by 2030⁴⁴.
- There are currently about 1,341,700 households in the Seattle-Tacoma-Bellevue metropolitan area.

⁴⁴ In *Sound Transit Phase 2 Transit Ridership Forecasting Final Technical Report*, Sound Transit estimates that there were 23,010 daily transit trips to Rainier Valley from throughout the Seattle area in 2004. It forecasts that, in 2030, there will be 29,900 Stage 1 daily transit trips, 31,840 Stage 2 daily transit trips, and 35,490 Stage 3 daily transit trips. "Stage 1" refers to overall growth in travel due to population and employment growth; Stage 2 refers to changes in ridership due to changes in highway congestion and costs; and Stage 3 refers to changes in ridership due to transit service changes. We have used Stage 1 ridership forecasts because they are the most conservative.

Category	Customer segment			
	Current Rainier Valley residents	Future Rainier Valley residents	Light rail commuters	Greater Seattle area residents
Food + beverages				
Groceries	58,087,000	3,822,000	55,210,000	5,128,280,000
Dining out	45,414,000	2,988,000	43,165,000	4,009,420,000
Alcoholic beverages (consumed at home)	4,233,000	279,000	4,023,000	373,700,000
Alcoholic beverages (consumed in restaurants)	3,187,000	210,000	3,029,000	281,392,000
Housekeeping supplies				
Laundry and cleaning supplies	2,009,000	132,000	1,910,000	177,371,000
Other household products	7,162,000	471,000	6,807,000	632,311,000
Stationery, gift wrap	1,120,000	74,000	1,065,000	98,882,000
Postage	44,000	3,000	42,000	3,891,000
Furniture + furnishings				
Household textiles	2,348,000	155,000	2,232,000	207,318,000
Furniture	7,176,000	472,000	6,820,000	633,505,000
Floor coverings	709,000	47,000	674,000	62,563,000
Major appliances	3,598,000	237,000	3,420,000	317,631,000
Small appliances, misc. housewares	2,002,000	132,000	1,903,000	176,781,000
Window coverings	1,178,000	78,000	1,120,000	103,994,000
Infants' equipment	313,000	21,000	298,000	27,639,000
Laundry + dry cleaning equipment	317,000	21,000	301,000	28,001,000
Outdoor equipment	786,000	52,000	747,000	69,352,000
Clocks and other household decorative items	2,755,000	181,000	2,618,000	243,208,000
Lamps and lighting fixtures	767,000	50,000	729,000	67,742,000
Telephones + accessories	433,000	28,000	411,000	38,211,000
Lawn + garden equipment	676,000	44,000	643,000	59,692,000
Hand + power tools	639,000	42,000	608,000	56,445,000
Hardware	995,000	65,000	946,000	87,854,000
Office furniture for home use	189,000	12,000	179,000	16,650,000
Indoor plants + fresh flowers	806,000	53,000	766,000	71,163,000
Closet + storage items	372,000	24,000	354,000	32,845,000
Furniture rental	15,000	1,000	14,000	1,301,000
Luggage	187,000	12,000	178,000	16,489,000

Computers/hardware (nonbusiness use)	3,048,000	201,000	2,897,000	269,062,000
Computer software/accessories (nonbusiness use)	443,000	29,000	421,000	39,097,000
Telephone answering devices	10,000	1,000	10,000	926,000
Business equipment for home use	31,000	2,000	30,000	2,777,000
Apparel and footwear				
Men's clothes	6,342,000	417,000	6,028,000	559,900,000
Boys' clothes	1,228,000	81,000	1,167,000	108,408,000
Women's clothes	10,289,000	677,000	9,779,000	908,376,000
Girls' clothes	1,870,000	123,000	1,777,000	165,081,000
Clothes for children under 2	1,802,000	119,000	1,713,000	159,071,000
Footwear	5,318,000	350,000	5,055,000	469,537,000
Watches, jewelry + repair	2,149,000	141,000	2,043,000	189,755,000
Shoe repair	31,000	2,000	29,000	2,710,000
Tailoring, alterations, repair	117,000	8,000	111,000	10,304,000
Laundry + dry cleaning	1,547,000	102,000	1,470,000	136,544,000
Other apparel items + services	336,000	22,000	320,000	29,678,000
Automotive				
Vehicle purchase	56,676,000	3,729,000	53,869,000	5,003,691,000
Gasoline and motor oil	36,311,000	2,389,000	34,513,000	3,205,762,000
Vehicle maintenance and repairs	13,318,000	876,000	12,659,000	1,175,842,000
Medical				
Nonprescription drugs	1,101,000	72,000	1,047,000	97,219,000
Nonprescription vitamins	689,000	45,000	655,000	60,805,000
Prescription drugs	4,669,000	307,000	4,438,000	412,207,000
Eyeglasses and contact lenses	1,051,000	69,000	999,000	92,751,000
Hearing aids	226,000	15,000	215,000	19,978,000
Medical supplies	567,000	37,000	539,000	50,072,000
Medical equipment (rental + sales)	152,000	10,000	144,000	13,377,000
Entertainment				
Movie, theatre, opera, ballet tickets	2,385,000	157,000	2,267,000	210,591,000
All other fees and admissions	10,638,000	700,000	10,112,000	939,222,000
Musical instruments	331,000	22,000	315,000	29,262,000

TVs, stereos, radios, recorded movies + music	15,902,000	1,046,000	15,115,000	1,403,956,000
Pets, pet supplies, pet care	7,515,000	494,000	7,142,000	663,438,000
Toys, games, arts, crafts, tricycles	2,179,000	143,000	2,071,000	192,358,000
Stamp and coin collecting	93,000	6,000	89,000	8,251,000
Playground equipment	87,000	6,000	83,000	7,674,000
Athletic gear, game tables, exercise equipment	1,213,000	80,000	1,153,000	107,134,000
Bicycles	309,000	20,000	294,000	27,317,000
Camping gear	232,000	15,000	220,000	20,474,000
Hunting + fishing equipment	202,000	13,000	192,000	17,804,000
Winter sports equipment	161,000	11,000	153,000	14,208,000
Water sports equipment	56,000	4,000	53,000	4,924,000
Other sports, recreation and exercise equipment	196,000	13,000	186,000	17,321,000
Photographic equipment, supplies, services	1,384,000	91,000	1,316,000	122,201,000
Personal care				
Hair care products	1,046,000	69,000	994,000	92,335,000
Wigs + hairpieces	1,217,000	80,000	1,157,000	107,429,000
Shaving needs	282,000	19,000	268,000	24,915,000
Cosmetics, perfume, bath preparations	2,627,000	173,000	2,497,000	231,924,000
Other personal care products	1,195,000	79,000	1,136,000	105,524,000
Personal care services	4,529,000	298,000	4,305,000	399,863,000
Reading				
Newspapers + magazines	926,000	61,000	880,000	81,722,000
Newsletters	0	0	0	27,000
Books	1,200,000	79,000	1,141,000	105,980,000
Tobacco products/smoking supplies	3,558,000	234,000	3,382,000	314,116,000

Table 10: Retail market demand generated by four major Rainier Valley customer groups for a range of products and services (*Sources:* US Census Bureau, 2008 American Community Survey, Sound Transit, US Bureau of Labor Statistics' *Consumer Expenditure Survey*, CLUE Group)

RETAIL SALES VOIDS

We conducted a retail sales void analysis, comparing our estimates of retail market demand generated by Rainier Valley households with our estimates of retail sales being captured by Rainier Valley businesses.

NAICS	Category	Demand	Supply	Void
441	Motor vehicle + parts dealers	\$ 107,137,000	\$ 32,535,000	\$ 74,602,000
442	Furniture + home furnishings stores	17,767,000	4,788,000	12,979,000
4431	Electronics + appliance stores	16,739,000	924,000	15,815,000
444	Bldg materials, garden equip. stores	15,064,000	17,595,000	(2,531,000)
445	Food + beverage stores	83,361,000	156,079,000	(72,718,000)
4461	Health + personal care stores	15,446,000	13,502,000	1,945,000
4471	Gasoline stations	50,613,000	27,681,000	22,933,000
4478	Clothing + clothing accessory stores	25,695,000	16,624,000	9,070,000
451	Sporting goods, hobby, book, music stores	5,307,000	3,303,000	2,004,000
452	General merchandise stores	74,165,000	7,461,000	66,703,000
453	Misc. store retailers	9,300,000	3,102,000	6,198,000
454	Nonstore retailers	17,773,000	2,164,000	15,609,000
722	Food services + drinking places	70,433,000	45,556,000	24,877,000

Table 11: Estimates of demand and supply, with sales void calculations, for Rainier Valley (Sources: US Census Bureau, *Consumer Expenditure Survey* of the US Bureau of Labor Statistics; CLUE Group, LLC)

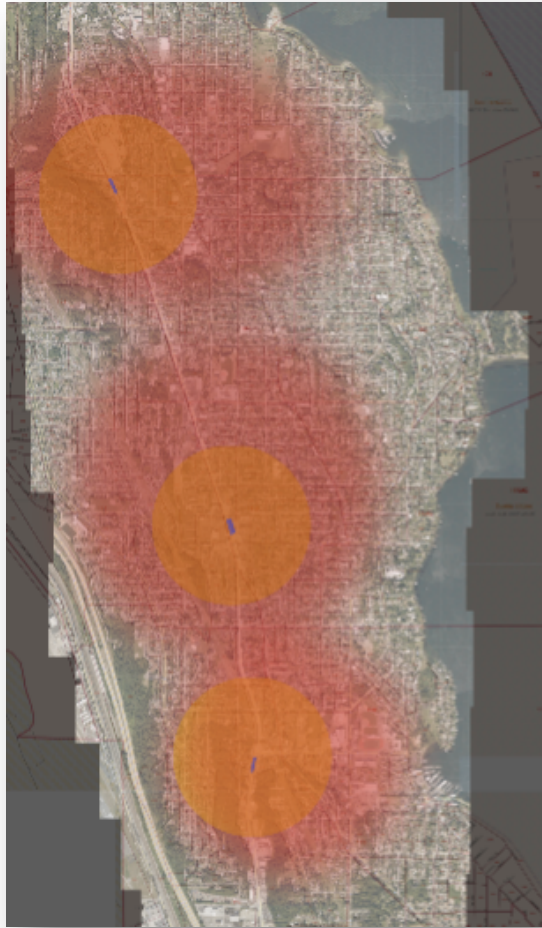
Because of increased mobility, globalization, and the growing role of ecommerce in retail activity, retail sales void analysis is less meaningful now as a measurement of retail patterns than it was in the past. It is most meaningful when examining large, aggregate categories and when examining whole districts; in both instances, major trends and patterns quickly become apparent. Retail sales void analysis is less meaningful when applied at the more fine-grained scale of a specific product line or a small, commercial district offering a broad mix of retail goods and services. It is therefore a more useful tool for chain retailers looking for large regions in which to achieve significant market penetration than it is for commercial districts comprised largely of independently owned businesses spanning a variety of retail and non-retail sectors.

NAICS	Category	Demand	Supply	Void
441	Motor vehicle + parts dealers	29,998,000	5,206,000	24,793,000
442	Furniture + home furnishings stores	4,797,000	1,005,000	3,792,000
4431	Electronics + appliance stores	5,356,000	185,000	5,172,000
444	Bldg materials, garden equip. stores	4,067,000	8,270,000	(4,202,000)
445	Food + beverage stores	21,674,000	29,655,000	(7,981,000)
4461	Health + personal care stores	4,325,000	3,511,000	814,000
4471	Gasoline stations	14,172,000	7,197,000	6,975,000
4478	Clothing + clothing accessory stores	7,709,000	3,990,000	3,719,000
451	Sporting goods, hobby, book, music stores	1,645,000	925,000	720,000
452	General merchandise stores	21,508,000	1,343,000	20,165,000
453	Misc. store retailers	2,976,000	713,000	2,263,000
454	Nonstore retailers	4,266,000	411,000	3,854,000
722	Food services + drinking places	22,539,000	10,478,000	12,061,000

Table 12: Estimates of demand and supply, with sales void calculations, for Columbia City (*Sources:* US Census Bureau, *Consumer Expenditure Survey* of the US Bureau of Labor Statistics; CLUE Group, LLC)

Our sales void analysis nonetheless provides some useful information, particularly on the macro level of Rainier Valley as a whole. In particular, our analysis underscores two important characteristics:

- Rainier Valley is experiencing a sales surplus in "Food and beverage stores", reflecting the strong regional market position of its international grocery stores and food vendors, particularly around the Othello commercial node.
- Rainier Valley is experiencing sales leakages in almost all other categories. But, because Rainier Valley has several major commercial nodes and because it is unlikely that more than 20-25 percent of sales leakages could be realistically captured, most of these leakages are relatively modest. For example, Rainier Valley is "losing" approximately \$2 million in sales that would typically take place in sporting goods, hobby, book, and music stores - but, if only 25 percent of this might realistically be captured, it would be unlikely that Rainier Valley could capture more than \$500,000 of sales in this category. And, when spread among several major commercial nodes, that \$500,000 becomes too thin to realistically support one or more new, freestanding businesses specializing in goods and services in this category. With the exceptions of furniture/appliances, clothing, and restaurants, for which we believe



Satellite image of Rainier Valley, with Census block overlay. The small blue bars are light rail stations (from north to south: Columbia City, Othello, and Rainier Beach). Orange circles are quarter-mile radii; red areas are approximate neighborhood coverage areas.

sufficient demand exists to create one or more new businesses, we believe the most practical strategy is to add new product lines to existing businesses to fill in market gaps and gradually build market support for a broader range of merchandise. It also appears possible that a new general merchandise store that offers products and services with cross-cultural appeal could succeed in Rainier Valley.

At the commercial node level, our analysis suggests several things.

First, Columbia City is experiencing sales surpluses (meaning that actual sales in Columbia City businesses exceed the amount of money probably being spent by Columbia City households, whether within Columbia City or elsewhere) in two categories - building materials and garden equipment stores, and food and beverage stores. In both of these categories, it is likely that Columbia City businesses are attracting customers who are commuting through on Rainier Avenue or Martin Luther King Jr. Way or who live in residential neighborhoods slightly north of Columbia City.

It is worth noting that, while there appears to be a surplus of approximately \$8 million in grocery sales ("food and beverage stores") in the Columbia City node, a number of Columbia City residents have spoken up at community meetings and on RainierValleyPost.com about their desire for a new grocery store (Trader Joe's is often mentioned as a potential candidate). However, it is not likely that Columbia City residents alone could support a store of this scale or scope. We have therefore recommended that Columbia City residents, and residents of other Rainier Valley neighborhoods who would like a better range of grocery products or a different kind of grocery shopping experience than is currently available in Rainier Valley work with existing grocery stores to improve their product mix and shopping experience. We have also recommended that the community consider exploring the possibility of trying to attract a moderately sized discount department store to Rainier Valley that might offer a grocery section that might fill some of the product and service gaps that residents of Columbia City and other Rainier Valley neighborhoods currently experience.

Second, Othello is experiencing sales surpluses in six major NAICS retail categories, demonstrating its strength in attracting visitors from outside the neighborhood and Rainier Valley, particularly in two categories: groceries ("food and beverage stores") and restaurants ("food services and drinking places").

NAICS	Category	Demand	Supply	Void
441	Motor vehicle + parts dealers	31,070,000	10,411,000	20,659,000
442	Furniture + home furnishings stores	5,508,000	2,011,000	3,497,000
4431	Electronics + appliance stores	4,520,000	480,000	4,039,000
444	Bldg materials, garden equip. stores	4,971,000	5,630,000	(659,000)
445	Food + beverage stores	29,176,000	98,330,000	(69,153,000)
4461	Health + personal care stores	5,097,000	5,131,000	(34,000)
4471	Gasoline stations	16,702,000	12,180,000	4,523,000
4478	Clothing + clothing accessory stores	7,195,000	8,811,000	(1,616,000)
451	Sporting goods, hobby, book, music stores	1,380,000	1,850,000	(470,000)
452	General merchandise stores	22,991,000	4,626,000	18,365,000
453	Misc. store retailers	2,511,000	1,861,000	650,000
454	Nonstore retailers	6,754,000	1,212,000	5,542,000
722	Food services + drinking places	17,608,000	23,006,000	(5,398,000)

Table 13: Estimates of demand and supply, with sales void calculations, for Othello (*Sources:* US Census Bureau, *Consumer Expenditure Survey* of the US Bureau of Labor Statistics; CLUE Group, LLC)

NAICS	Category	Demand	Supply	Void
441	Motor vehicle + parts dealers	18,213,000	13,665,000	4,549,000
442	Furniture + home furnishings stores	3,198,000	910,000	2,288,000
4431	Electronics + appliance stores	1,674,000	148,000	1,526,000
444	Bldg materials, garden equip. stores	1,808,000	1,935,000	(128,000)
445	Food + beverage stores	10,003,000	17,169,000	(7,165,000)
4461	Health + personal care stores	1,699,000	2,430,000	(731,000)
4471	Gasoline stations	5,061,000	3,875,000	1,186,000
4478	Clothing + clothing accessory stores	2,826,000	1,829,000	998,000
451	Sporting goods, hobby, book, music stores	584,000	165,000	419,000
452	General merchandise stores	9,641,000	895,000	8,746,000
453	Misc. store retailers	930,000	217,000	713,000
454	Nonstore retailers	2,310,000	368,000	1,943,000
722	Food services + drinking places	7,043,000	4,328,000	2,715,000

Table 14: Estimates of demand and supply, with sales void calculations, for Rainier Beach (*Sources:* US Census Bureau, *Consumer Expenditure Survey* of the US Bureau of Labor Statistics; CLUE Group, LLC)

NAICS	Category	Demand	Supply	Void
441	Motor vehicle + parts dealers	27,856,000	3,254,000	24,602,000
442	Furniture + home furnishings stores	4,264,000	862,000	3,402,000
4431	Electronics + appliance stores	5,189,000	111,000	5,078,000
444	Bldg materials, garden equip. stores	4,218,000	1,760,000	2,458,000
445	Food + beverage stores	22,507,000	10,926,000	11,582,000
4461	Health + personal care stores	4,325,000	2,430,000	1,895,000
4471	Gasoline stations	14,678,000	4,429,000	10,249,000
4478	Clothing + clothing accessory stores	7,965,000	1,995,000	5,971,000
451	Sporting goods, hobby, book, music stores	1,698,000	363,000	1,335,000
452	General merchandise stores	20,025,000	597,000	19,428,000
453	Misc. store retailers	2,883,000	310,000	2,573,000
454	Nonstore retailers	4,443,000	173,000	4,270,000
722	Food services + drinking places	23,243,000	7,745,000	15,498,000

Table 15: Estimates of demand and supply, with sales void calculations, for all remaining Rainier Valley Census blocks
(Sources: US Census Bureau, *Consumer Expenditure Survey* of the US Bureau of Labor Statistics; CLUE Group, LLC)

We have aggregated retail demand and supply for all remaining sections of Rainier Valley (e.g., sections outside Columbia City, Othello, and Rainier Beach). These remaining sections primarily consist of the "gold coast" residential area overlooking Lake Washington, but also include some smaller residential pockets bordering I-5. There is considerable unmet retail market demand in this aggregate group, but we believe there could be considerable barriers to attracting more than a modest percentage of this group's retail expenditures in Rainier Valley's commercial centers, at least within the next 5-10 years. The possible exceptions to this are in the categories of groceries, restaurants, and other convenience-oriented goods and services, for which consumers generally prefer not to travel long distances.

COMMERCIAL PROPERTY

We conducted interviews with four Rainier Valley-based realtors with considerable experience selling and leasing commercial space in Rainier Valley, asking them a series of questions about the community's commercial rental market. We augmented the information we received from them with information from CoStar, Trulia, and local commercial property rental listings.

In general, the realtors reported:

- Most of Rainier Valley's commercial properties are Class B and Class C, and relatively few are in turn-key condition, with space rented as-is.
- Many of the businesses and individuals who inquire about commercial space lack the capital needed to make tenant improvements.
- In the past there have been instances in which property owners have been willing to make tenant improvements and to amortize the cost over a three- to five-year lease, but business owners have been less willing to sign multi-year leases in recent years.
- Many prospective businesses have insufficient capital for business start-ups.
- There is currently more demand for small spaces (e.g., under 1,000 square feet) than for large spaces.
- There are roughly as many calls from nonprofit organizations looking for office space as there are from businesses or prospective businesses looking for office or retail/storefront space.
- Many of Rainier Valley's property owners - particularly those who have emigrated to the US - lack confidence in the stock market and consider their real estate holdings to be long-term investments.
- Apartments are renting at a faster rate than commercial spaces.
- Occupancy rates along Martin Luther King Jr. Way are currently stronger in Othello than in Columbia City or Rainier Beach.
- Current viable commercial rents are in the \$0.90 - \$1.25/square foot range, with retail space at the lower end of the range and office space at the higher end of the range.

Appendix B:

Memo regarding zoning implications of Southeast Seattle Retail Strategy study



Memo

TO: Tina Vlasaty
FROM: Kennedy Smith *KS*
CC: Josh Bloom
DATE: 26 August 2009
SUBJECT: Zoning implications of Southeast Seattle Retail Strategy study

Hi, Tina. As you requested, I have put together a brief summary of the major recommendations *with zoning implications* from our work on the Southeast Seattle retail strategy. In general, we believe that the transit area overlay zoning is a powerful and positive tool for reshaping the physical and economic environment of Rainier Valley. Three of our major recommendations, however, conflict to varying degrees with the new planning and zoning policies. These three areas of concern are:

1. Ground-floor retail use: For two key reasons, we believe it will be important to cluster new retail development tightly around the new light rail stations rather than spreading it out along the ground floors of new mixed-use development along the light rail corridor.
 - a. First, while new residents of the MLK Way / light rail corridor will create new demand along the corridor for retail goods and services, and while it is likely that the some of the retail purchases now being made by Rainier Valley residents outside Rainier Valley can be captured by new businesses along the corridor, we do not believe that the total amount of new retail demand that can realistically be

captured within Rainier Valley over the next decade can support the amount of ground-floor retail space that the City's current zoning requires in new, mixed-use development. In fact, given that the City does not want new retail development to deflect sales from existing retail businesses along the corridor and that some of the new retail demand generated should be absorbed by existing businesses (in order to strengthen their performance), we believe that no more than approximately 60,000 square feet of new retail space can reasonably be supported by the approximately 1,000 new housing units now under construction or in the pipeline along the corridor.

- b. Second, many types of retail businesses perform significantly better when clustered near similar businesses or near businesses that serve demographically or psychographically similar types of customers.

For these two reasons, we recommend that the zoning requirement dictating retail use of ground-floor spaces in new mixed-use development be curtailed to concentrate retail activity around the light rail stations, and/or that this zoning requirement be flexibly and liberally interpreted to include a very wide range of commercial uses, such as live/work, small-scale industry, and professional services.

- 2. Parking: While we are generally in favor of the City's efforts to limit parking along the light rail corridor in order to encourage light rail use (and use of other environmentally-friendly modes of transportation), we believe that at least one cluster of businesses - the large cluster of Vietnamese businesses around the Othello station - will remain auto-dependent and will therefore need on-site parking. These businesses' customers come from throughout the Seattle MSA and, because of the distances they travel, the more limited public transportation options in some of the communities from which they travel, and the nature of the shopping they do in Rainier Valley (e.g., buying large items or large quantities that are not easily carried on light rail or bus), convenient access to short-term non-residential parking is likely to remain important to these businesses' performance. Our final recommendations will include some ideas for mitigating the need for parking somewhat (delivery service and mobile vending, for example), but these actions will likely alleviate only

a very small percentage of the demand for short-term non-residential parking, particularly at Othello.

3. Small industry: There is a considerable amount of small industry in Rainier Valley that will not be permitted under the new station area overlay zones. We believe this is a positive move that will improve Rainier Valley's neighborhoods' attractiveness to both current and new residents. But we recommend permitting certain types of small industries (small manufacturing firms, in particular), for two key reasons. First, we have found that small-scale manufacturing is a valuable component of a holistic neighborhood economy. Manufacturing processes are changing significantly (driven partly by changes in prototyping technology), making the range of products that can now be manufactured by small firms, with no significant environmental impact, considerably broader than even five years ago. Being able to provide jobs in firms like this in Rainier Valley will improve the area's appeal (and, by providing jobs within the Rainier Valley, reduce transit demands). Second, some of the skill sets currently used in industries not permitted under the new zoning could be used in new, more appropriate industries in Rainier Valley, helping the region retain skills, workers, and residents.

We will be happy to discuss these three issues in greater detail with you and/or DPD staff.

Appendix C: WHY RAINIER VALLEY?

The case for investment

Based on our analysis, we believe that Rainier Valley represents one of the most overlooked opportunities for retail development in the Seattle metropolitan area. Its favorable characteristics include the following:

- Rainier Valley's international businesses attract loyal and dedicated shoppers from throughout the Seattle metropolitan area, particularly for its international grocery stores and food vendors.
- Rainier Valley's middle- and upper-middle-class residents do much of their shopping outside Rainier Valley, representing solid opportunities for new retail development, particularly in general merchandise and grocery categories.
- Rainier Valley is experiencing growth in the two age cohorts most interested in furniture and home furnishings: young, "starter" households, and new empty-nesters.
- Rainier Valley's international businesses offer a richly authentic cultural experience. While there are other enclaves of international businesses in the Seattle area, none are as large or diverse as Rainier Valley's, and most have experienced some cultural homogenization. Rainier Valley offers a more authentic cultural experience that, with a good marketing program, could easily translate into solid sales growth.
- Commercial property is relatively affordable, compared with other Seattle neighborhoods, creating a fertile environment for new businesses, incubators, and retail pioneers.
- Rainier Valley has served as a small business incubator for the Seattle area for decades and continues to do so. With some capital and skills cultivation, many of Rainier Valley's independent businesses could become hubs around which new retail and small-scale industrial clusters develop.

- The nonprofit organizations working in Rainier Valley have, collectively, a strong array of skills, experiences, and resources that can be mobilized to leverage investment capital for business and commercial property development.
- The new light rail line will bring several thousand new residents to Rainier Valley and will familiarize several tens of thousands of Seattle-area residents and visitors with Rainier Valley each year.
- Rainier Valley's residents and business owners have a deep appreciation for the community's history and traditions, with a strong sense of loyalty to its businesses.
- As auto-related businesses gradually close due to zoning changes, Rainier Valley will have a growing supply of workers for new businesses.